

CITY OF WILLARD
HURON COUNTY, OHIO

REGULAR AUDIT

**FOR THE YEAR ENDED
DECEMBER 31, 2021**

OHIO AUDITOR OF STATE
KEITH FABER



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Members of the City Council and Mayor
City of Willard
631 S. Myrtle Ave
Willard, OH 44890-0367

We have reviewed the *Independent Auditor's Report* of the City of Willard, Huron County, prepared by Julian & Grube, Inc., for the audit period January 1, 2021 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Willard is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 24, 2022

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**CITY OF WILLARD
HURON COUNTY, OHIO**

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Independent Auditor's Report

City of Willard
Huron County
631 South Myrtle Avenue
P.O. Box 367
Willard, Ohio 44890

To the Members of the City Council and Mayor:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willard, Huron County, Ohio, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Willard's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willard, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the American Rescue Act Plan Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City of Willard and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 22 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City of Willard. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Willard's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Willard's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Willard's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit assets and liabilities and pension and other post-employment benefit contributions, listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2022 on our consideration of the City of Willard's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Willard's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Willard's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
July 18, 2022

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

The management's discussion and analysis of the City of Willard's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2021 are as follows:

- The total net position of the City increased \$3,587,391. Net position of governmental activities increased \$1,700,242 or 13.09% from 2020's net position and net position of business-type activities increased \$1,887,149 or 16.07% from 2020's net position.
- General revenues accounted for \$4,360,730 or 73.49% of total governmental activities revenue. Program specific revenues accounted for \$1,572,645 or 26.51% of total governmental activities revenue.
- The City had \$4,233,133 in expenses related to governmental activities; \$1,572,645 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,660,488 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$4,360,730.
- The general fund had revenues of \$3,853,288 in 2021. The expenditures of the general fund totaled \$4,144,805 in 2021. The net decrease in fund balance for the general fund was \$291,517 or 7.15%.
- The American Rescue Plan Act fund had no revenues or expenditures in 2021. All of the money received in 2021 is offset with a liability to unearned revenue. The revenue will be recognized as the City spends the money on qualifying items.
- The income tax capital improvement fund had revenues of \$696,593 in 2021. The expenditures and other financing uses of the income tax capital improvement fund totaled \$302,582 in 2021. The net increase in fund balance for the income tax capital improvement fund was \$394,011 or 54.60%.
- Net position for the business-type activities, which are made up of the sewer, water and storm water enterprise funds, increased in 2021 by \$1,887,149 from 2020 net position. This increase in net position was mainly due to the decrease in the net OPEB liability.
- In the general fund, the actual revenues and other financing sources came in \$272,895 less than they were in the final budget and actual expenditures were \$781,303 less than the amount in the final budget.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2021?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in those assets. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and State grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's sewer, water and storm water operations are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, American Rescue Plan Act fund and income tax capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water and storm water management functions. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its self-insurance program for medical-related employee benefits. The City's sewer and water enterprise funds are considered major funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension and net OPEB assets/liabilities.

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**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Government-Wide Financial Analysis

The table below provides a summary of the City's assets, deferred inflows of resources, liabilities, deferred outflows of resources and net position at December 31, 2021 and 2020.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<u>Assets</u>						
Current and other assets	\$ 8,742,622	\$ 8,209,464	\$ 5,924,949	\$ 4,400,992	\$ 14,667,571	\$ 12,610,456
Capital assets, net	14,536,469	14,438,582	11,830,489	12,143,987	26,366,958	26,582,569
Total assets	23,279,091	22,648,046	17,755,438	16,544,979	41,034,529	39,193,025
<u>Deferred outflows of resources</u>						
Pension	909,130	1,131,549	121,689	177,448	1,030,819	1,308,997
OPEB	539,904	724,868	49,103	130,654	589,007	855,522
Total deferred outflows of resources	1,449,034	1,856,417	170,792	308,102	1,619,826	2,164,519
<u>Liabilities</u>						
Current liabilities	581,927	616,531	220,959	739,280	802,886	1,355,811
Long-term liabilities:						
Due within one year	366,280	325,659	243,940	277,979	610,220	603,638
Net pension liability	5,122,716	5,619,964	725,381	1,045,980	5,848,097	6,665,944
Net OPEB liability	579,740	1,883,916	-	736,390	579,740	2,620,306
Other amounts	825,708	879,949	2,396,434	1,833,663	3,222,142	2,713,612
Total liabilities	7,476,371	9,326,019	3,586,714	4,633,292	11,063,085	13,959,311
<u>Deferred inflows of resources</u>						
Property taxes	349,365	318,000	-	-	349,365	318,000
Pension	1,265,694	1,194,119	397,385	318,848	1,663,079	1,512,967
OPEB	949,282	679,154	313,682	159,641	1,262,964	838,795
Total deferred inflows of resources	2,564,341	2,191,273	711,067	478,489	3,275,408	2,669,762
<u>Net position</u>						
Net investment in capital assets	13,871,500	13,367,048	9,498,462	9,733,541	23,369,962	23,100,589
Restricted	3,149,354	3,065,579	-	-	3,149,354	3,065,579
Unrestricted (deficit)	(2,333,441)	(3,445,456)	4,129,987	2,007,759	1,796,546	(1,437,697)
Total net position	\$ 14,687,413	\$ 12,987,171	\$ 13,628,449	\$ 11,741,300	\$ 28,315,862	\$ 24,728,471

The net pension liability/asset is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net pension asset.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability/asset or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability/asset and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability/asset are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability/asset and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2021, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$28,315,862. At year-end, net position was \$14,687,413 and \$13,628,449 for the governmental activities and the business-type activities, respectively.

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 64.26% of total assets. Capital assets include land, construction in progress, land improvements, buildings, equipment, vehicles, infrastructure and utility plant in service. The City's net investment in capital assets at December 31, 2021, was \$13,871,500 and \$9,498,462 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$3,149,354, represents resources that are subject to external restriction on how they may be used.

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**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

The following table shows the changes in net position for 2021 and 2020.

	Change in Net Position					
	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2021	2020
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 851,390	\$ 759,724	\$ 4,308,279	\$ 3,893,786	\$ 5,159,669	\$ 4,653,510
Operating grants and contributions	592,180	1,131,805	-	-	592,180	1,131,805
Capital grants and contributions	129,075	49,145	24,989	118,730	154,064	167,875
Total program revenues	<u>1,572,645</u>	<u>1,940,674</u>	<u>4,333,268</u>	<u>4,012,516</u>	<u>5,905,913</u>	<u>5,953,190</u>
General revenues:						
Property taxes	337,301	333,851	-	-	337,301	333,851
Income taxes	3,789,297	3,359,114	-	-	3,789,297	3,359,114
Unrestricted grants and entitlements	257,601	259,341	-	-	257,601	259,341
Investment earnings	54,641	171,603	42,408	16,421	97,049	188,024
Change in fair value of investments	(139,291)	-	-	-	(139,291)	-
Miscellaneous	61,181	100,018	23,249	62	84,430	100,080
Total general revenues	<u>4,360,730</u>	<u>4,223,927</u>	<u>65,657</u>	<u>16,483</u>	<u>4,426,387</u>	<u>4,240,410</u>
Total revenues	<u>5,933,375</u>	<u>6,164,601</u>	<u>4,398,925</u>	<u>4,028,999</u>	<u>10,332,300</u>	<u>10,193,600</u>
Expenses						
General government	336,514	724,380	-	-	336,514	724,380
Security of persons and property	3,013,281	3,294,955	-	-	3,013,281	3,294,955
Public health and welfare	8,152	8,100	-	-	8,152	8,100
Transportation	358,107	987,027	-	-	358,107	987,027
Community environment	307,942	349,832	-	-	307,942	349,832
Leisure time activity	204,652	239,672	-	-	204,652	239,672
Interest and fiscal charges	4,485	12,480	-	-	4,485	12,480
Sewer	-	-	1,345,607	1,995,796	1,345,607	1,995,796
Water	-	-	1,166,169	1,565,031	1,166,169	1,565,031
Total expenses	<u>4,233,133</u>	<u>5,616,446</u>	<u>2,511,776</u>	<u>3,560,827</u>	<u>6,744,909</u>	<u>9,177,273</u>
Change in net position	1,700,242	548,155	1,887,149	468,172	3,587,391	1,016,327
Net position at beginning of year	<u>12,987,171</u>	<u>12,439,016</u>	<u>11,741,300</u>	<u>11,273,128</u>	<u>24,728,471</u>	<u>23,712,144</u>
Net position at end of year	<u>\$ 14,687,413</u>	<u>\$ 12,987,171</u>	<u>\$ 13,628,449</u>	<u>\$ 11,741,300</u>	<u>\$ 28,315,862</u>	<u>\$ 24,728,471</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Governmental Activities

Governmental activities net position increased \$1,700,242 in 2021.

Expenses of the governmental activities decreased \$1,383,313. This decrease is primarily the result of the decrease in OPEB expense for the Ohio Public Employees Retirement System (OPERS). On January 15, 2020, OPERS approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation which are reported by the City at December 31, 2021. These changes along with changes in assumptions related to an increase in discount rate from 3.16% to 6.00% significantly decreased the total OPEB liability for the measurement date December 31, 2020.

Security of persons and property which primarily supports the operations of the police and fire department accounted for \$3,013,281 or 44.68% of the total expenses of the City. Security of persons and property expenses were partially funded by \$546,355 in direct charges to users of the services. General government expenses totaled \$336,514. General government expenses were partially funded by \$60,952 in direct charges to users of the services. Transportation expenses totaled \$358,107. Transportation expenses were partially funded by \$73,644 in direct charges to users of the services, \$414,260 in operating grants and contributions and \$100,000 in capital grants and contributions.

The State and federal government contributed to the City a total of \$592,180 in operating grants and contributions and \$129,075 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

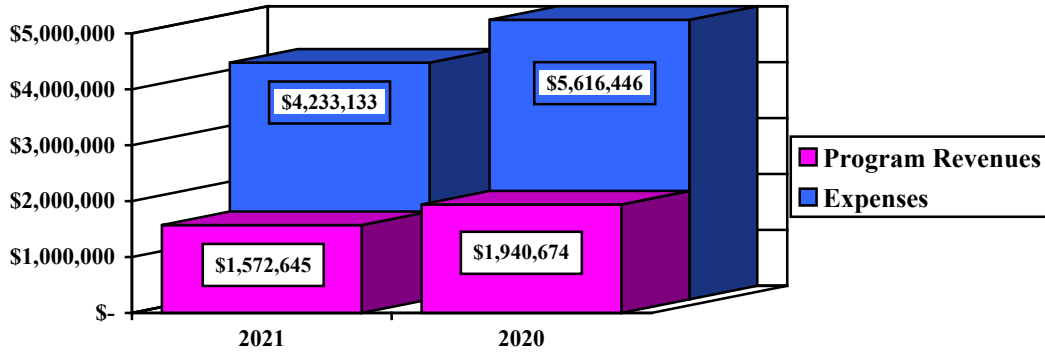
General revenues totaled \$4,360,730 and amounted to 73.49% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$4,126,598. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue and property tax reimbursements received from the State, making up \$257,601.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon general revenues (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities. As program revenues are not sufficient to cover total governmental expenses for 2021.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Governmental Activities – Program Revenues vs. Total Expenses



Governmental Activities

	Total Cost of Services 2021	Net Cost of Services 2021	Total Cost of Services 2020	Net Cost of Services 2020
Program expenses:				
General government	\$ 336,514	\$ 274,896	\$ 724,380	\$ 543,323
Security of persons and property	3,013,281	2,402,061	3,294,955	2,250,391
Public health and welfare	8,152	(25,663)	8,100	(19,360)
Transportation	358,107	(229,797)	987,027	475,324
Community environment	307,942	158,152	349,832	254,680
Leisure time activity	204,652	76,354	239,672	158,934
Interest and fiscal charges	4,485	4,485	12,480	12,480
Total	<u>\$ 4,233,133</u>	<u>\$ 2,660,488</u>	<u>\$ 5,616,446</u>	<u>\$ 3,675,772</u>

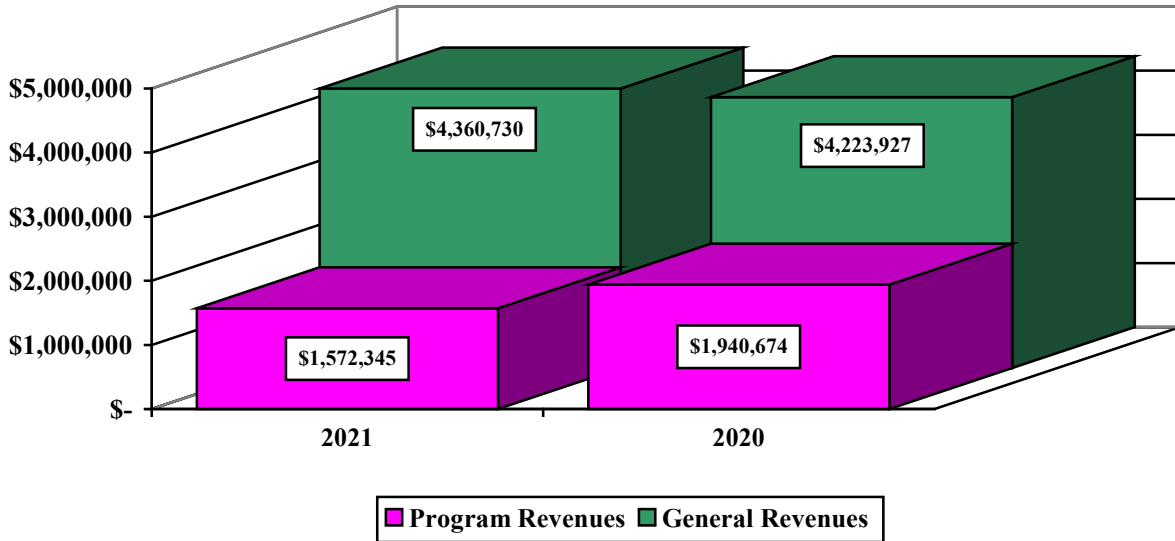
The dependence upon general revenues for governmental activities is apparent, with 62.85% of expenses supported through taxes and other general revenues.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

The chart below illustrates the City's program revenues versus general revenues for 2021 and 2020.

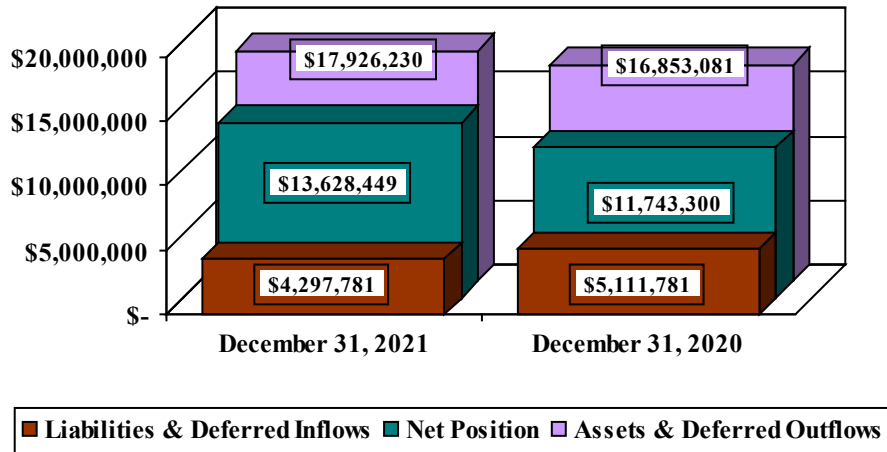
Governmental Activities – General and Program Revenues



Business-Type Activities

Business-type activities include the sewer, water and storm water enterprise funds. These programs had program revenues of \$4,333,268, general revenues of \$65,657, and expenses of \$2,511,776 for 2021. The graph below shows the business-type activities assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position at year-end 2021 and 2020. The primary reason for the increase in the net position of business-type activities is the decrease in the net OPEB liability, which is discussed in the governmental activities section above.

Net Position in Business - Type Activities



**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds reported a combined fund balance of \$6,924,803, which is \$138,623 greater than the previous year's fund balance of \$6,786,180. The following schedule indicates the fund balances and the total change in fund balances as of December 31, 2021 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> <u>12/31/21</u>	<u>Fund Balances</u> <u>12/31/20</u>	<u>Change</u>
Major funds:			
General	\$ 3,788,424	\$ 4,079,941	\$ (291,517)
Income tax capital improvement	1,115,631	721,620	394,011
Other nonmajor governmental funds	<u>2,020,748</u>	<u>1,984,619</u>	<u>36,129</u>
Total	<u>\$ 6,924,803</u>	<u>\$ 6,786,180</u>	<u>\$ 138,623</u>

General Fund

The City's general fund balance decreased \$291,517. The table that follows assists in illustrating the revenues of the general fund.

	<u>2021</u> <u>Amount</u>	<u>2020</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 2,941,134	\$ 2,614,279	12.50 %
Charges for services	522,191	517,544	0.90 %
Fines and forfeitures	13,349	4,960	169.13 %
Intergovernmental	288,666	243,526	18.54 %
Licenses and permits	93,908	108,963	(13.82) %
Investment income	46,652	172,876	(73.01) %
Change in fair value of investments	(139,291)	-	(100.00) %
Other	<u>86,679</u>	<u>18,583</u>	366.44 %
Total	<u>\$ 3,853,288</u>	<u>\$ 3,680,731</u>	4.69 %

Tax revenue represents 76.33% of all general fund revenue. Income tax revenue increased by \$321,755 from the prior year as a result of the COVID-19 pandemic and the related shut-downs in 2020, which did not occur in 2021. Intergovernmental revenue decreased due to more Local Government Revenue from the State. The City's investment earnings decreased 73.01% from the prior year. The City also reported a decrease in the fair value of investments of \$139,291 for 2021. This was a result of sharply lower interest rates. All other amounts remained comparable to 2021.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2021</u> <u>Amount</u>	<u>2020</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 705,945	\$ 498,380	41.65 %
Security of persons and property	2,812,472	2,161,508	30.12 %
Public health and welfare	5,210	5,016	3.87 %
Transportation	375,454	324,465	15.71 %
Community environment	<u>245,724</u>	<u>236,138</u>	4.06 %
Total	<u>\$ 4,144,805</u>	<u>\$ 3,225,507</u>	28.50 %

The total general fund expenditures of the City increased 28.50%. General fund expenditures increased for mainly two reasons. First of all, the City made cuts due to the COVID-19 pandemic in 2020, but services were restored in 2021. The City was unsure how large an impact the pandemic would have on revenues so the City took a conservative approach and reduced spending. The second reason for the increase was that CARES Act money received from the federal government in 2020 was used to offset some expenditures that were typically recorded in the general fund. Those expenditures were paid from the general fund in 2021.

American Rescue Plan Act (ARPA) Fund

The American Rescue Plan Act fund did not report any revenues or expenditures for 2021 and has a year end fund balance of \$0. The City received \$315,091 in ARPA funding in May 2021. This amount is offset by a liability to unearned revenue at December 31, 2021. The revenue will be recognized only when the City spends the money on expenditures that are allowable under the legislation. The City did not spend any of this money in 2021 because the federal government did not release the final guidelines on allowable expenditures until early 2022.

Income Tax Capital Improvement Fund

The income tax capital improvement fund had revenues of \$696,593 in 2021. The expenditures and other financing uses of the income tax capital improvement fund totaled \$302,582 in 2021. The net increase in fund balance for the income tax capital improvement fund was \$394,011 or 54.60%. During 2021, the City decided to fully retire the outstanding bond anticipation notes instead of rolling them over with a reduced principal amount to save on future interest costs. Paying off this debt resulted in the increase in fund balance.

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund. In the general fund, the actual revenues and other financing sources came in \$272,895 less than they were in the final budget and actual expenditures were \$781,303 less than the amount in the final budget. The final budgeted revenues and other financing sources were increased \$2,213 from the original budgeted revenues. Final budgeted expenditures were increased \$22,032 from the original budget.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail.

Capital Assets and Debt Administration

Capital Assets

At the end of 2021, the City had \$26,366,958 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings, equipment, vehicles, infrastructure and utility plant in service. Of this total, \$14,536,469 was reported in governmental activities and \$11,830,489 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows 2021 balances compared to 2020:

**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 1,320,002	\$ 1,320,002	\$ 954,431	\$ 954,431	\$ 2,274,433	\$ 2,274,433
Construction in progress	116,026	214,433	226,247	-	342,273	214,433
Buildings	1,048,947	1,094,127	868,928	949,693	1,917,875	2,043,820
Land improvements	107,001	84,793	21,698	24,969	128,699	109,762
Equipment	1,099,090	1,147,962	2,990,361	3,178,245	4,089,451	4,326,207
Vehicles	324,649	352,567	132,564	153,433	457,213	506,000
Utility plant in service	-	-	6,636,260	6,883,216	6,636,260	6,883,216
Infrastructure	<u>10,520,754</u>	<u>10,224,698</u>	<u>-</u>	<u>-</u>	<u>10,520,754</u>	<u>10,224,698</u>
Totals	<u>\$ 14,536,469</u>	<u>\$ 14,438,582</u>	<u>\$ 11,830,489</u>	<u>\$ 12,143,987</u>	<u>\$ 26,366,958</u>	<u>\$ 26,582,569</u>

The City's infrastructure is the largest capital asset category. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 72.38% of the City's total governmental capital assets.

The City's largest business-type capital asset category is utility plant in service, which includes water and sewer lines and the water plant. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's utility plant in service (cost less accumulated depreciation) represents approximately 56.10% of the City's total business-type capital assets.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2021 and 2020.

Governmental Activities

	2021	2020
Issue II loans	\$ 664,969	\$ 729,034
Total long-term obligations	\$ 664,969	\$ 729,034

Business-type Activities

	2021	2020
OWDA loans	\$ 2,321,764	\$ 1,753,411
Issue II loans	115,658	135,035
Total long-term obligations	\$ 2,437,422	\$ 1,888,446

Further detail on the City's long-term obligations can be found in Note 12 to the financial statements.

Economic Conditions and Outlook

A quote from our City Manager "I'm happy to report the State of the City is strong as the people of Willard remain strong". We have many examples of neighbors helping each other. One example is the dozens of volunteers who come out to assist with the Second Harvest Food Giveaway that takes place every month. Another example, area residents decorated our Community Christmas Tree. The dedicated work of our police department is evident in our five-year low for theft complaints, burglaries, and assaults. Our low crime rate, dedicated work force and cooperative spirit makes Willard a great place to live, work and raise your family.

The City had a 1.375% income tax rate in 2021. One eighth of a percent of that rate was approved by the citizens to support our police department. Income tax collections for 2021 were \$3,831,650 (on a cash-basis). This amounted to a 9.26% increase over collections in 2020. Local income taxes accounted for just over 25% of the City of Willard's revenue sources in 2021.

The City of Willard Public Works Department had a busy year. We completed an OPWC street resurfacing project in the amount of \$315,000. We are utilizing funds from the ODOT Safety Funds to address the need for sidewalks along US 224.

The design portion of our Water Treatment System Improvements is nearing completion. Our Water Treatment Plant was put online in 1970. Improvements included filter rebuilds, chemical storage, a new up-flow clarifier and additional clearwell. Now is the time to review the entire plant and prepare for the future.

The City of Willard Recreation Department received total revenue (on a cash-basis) of \$293,993. \$134,000 or 45% of this revenue was from income taxes. The Recreation Department provided Festivals/Concerts with a price tag of \$26,561 and invested in capital items totaling \$39,797. New in 2021 was the fishing derby held at our reservoir at no cost to the participants. A fall concert series was implemented downtown at the Roy Doster Plaza. The second annual Festival of Lights was again a success.

The Fire/EMS department services the City of Willard and the majority of the four surrounding townships. They cover 95 square miles for EMS and 71 square miles for fire. Overall, 2021 resulted in a call volume of 1,710 calls, an increase of 199 calls from the previous year.

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

When the Wastewater Treatment Plant was designed and built in 1981, it could handle 1.36 MGD. With the upgrades that took place from 2012-2016, the plant can now treat 4.5 MGD and as high as 7.2 MGD during a peak flow condition. In 2021 we recoated two alum chemical storage tanks, recoated the exterior of the scum concentrator treatment unit, resurfaced the Combined Sewer Lagoon access road, and completed the steam cleaned and replaced the mechanical wear parts from the scum concentrator. The Wastewater Plant team was recognized by Ohio EPA's new Encouraging Environmental Excellence for Communities Program as well as the 2020 Facility Image Award from the Ohio Water Environment Association.

Our Maintenance Department crews installed 44 feet of 6" water main on Spring Street. In addition, they responded to 8 water main breaks, 6 water service leaks, and made 8 water taps. The crews flush and service the fire hydrants twice a year and repaired 8 hydrants. They completed 5 new sewer connections and investigated 53 sewer complaints. The maintenance department installed 330 feet of 12" plastic pipe to replace corroded ductile iron pipe. The maintenance department was also responsible for cleaning 31 catch basins and repairing 4 catch basins, installing concrete street panels and running the street sweeper. The maintenance crews mowed 201 code violations and planted 8 additional trees as part of the Myrtle Avenue Tree Project. Willard is proud to be named Tree City USA for 41 years.

The City of Willard continues to look to the future and strives for improvements to benefit our residents.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information please contact: Lori Huff, Director of Finance, at 631 S. Myrtle Ave. P.O. Box 367, Willard, Ohio 44890.

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments.	\$ 6,521,432	\$ 4,787,118	\$ 11,308,550
Cash in segregated accounts.	150,686	-	150,686
Cash with fiscal agent.	567,888	-	567,888
Receivables:			
Income taxes.	418,404	-	418,404
Real and other taxes.	368,033	-	368,033
Accounts.	138,442	569,211	707,653
Special assessments.	20,214	-	20,214
Due from other governments.	289,337	-	289,337
Accrued interest.	13,980	-	13,980
Materials and supplies inventory.	40,012	147,428	187,440
Prepayments.	208,016	12,511	220,527
Net pension asset.	45,999	23,960	69,959
Net OPEB asset.	169,608	88,347	257,955
Restricted assets:			
Equity in pooled cash and investments.	-	86,945	86,945
Internal balance.	(209,429)	209,429	-
Capital assets:			
Nondepreciable capital assets.	1,436,028	1,180,678	2,616,706
Depreciable capital assets, net.	13,100,441	10,649,811	23,750,252
Total capital assets, net.	<u>14,536,469</u>	<u>11,830,489</u>	<u>26,366,958</u>
Total assets.	<u>23,279,091</u>	<u>17,755,438</u>	<u>41,034,529</u>
Deferred outflows of resources:			
Pension.	909,130	121,689	1,030,819
OPEB.	539,904	49,103	589,007
Total deferred outflows of resources.	<u>1,449,034</u>	<u>170,792</u>	<u>1,619,826</u>
Liabilities:			
Accounts payable.	40,169	56,071	96,240
Contracts payable.	-	34,287	34,287
Accrued wages.	83,112	20,625	103,737
Due to other governments.	74,037	13,317	87,354
Accrued interest payable.	-	9,714	9,714
Claims payable.	69,518	-	69,518
Payable from restricted assets:			
Refundable deposits payable.	-	86,945	86,945
Unearned revenue.	315,091	-	315,091
Long-term liabilities:			
Due within one year.	366,280	243,940	610,220
Due in more than one year:			
Net pension liability.	5,122,716	725,381	5,848,097
Net OPEB liability.	579,740	-	579,740
Other amounts due in more than one year.	825,708	2,396,434	3,222,142
Total liabilities.	<u>7,476,371</u>	<u>3,586,714</u>	<u>11,063,085</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	349,365	-	349,365
Pension.	1,265,694	397,385	1,663,079
OPEB.	949,282	313,682	1,262,964
Total deferred inflows of resources.	<u>2,564,341</u>	<u>711,067</u>	<u>3,275,408</u>
Net position:			
Net investment in capital assets.	13,871,500	9,498,462	23,369,962
Restricted for:			
Capital projects.	31,411	-	31,411
Transportation projects.	1,078,072	-	1,078,072
Electric system sale.	1,575,000	-	1,575,000
Police and fire purposes.	93,696	-	93,696
Perpetual care.	25,652	-	25,652
Other purposes.	345,523	-	345,523
Unrestricted (deficit).	(2,333,441)	4,129,987	1,796,546
Total net position.	<u>\$ 14,687,413</u>	<u>\$ 13,628,449</u>	<u>\$ 28,315,862</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government.	\$ 336,514	\$ 60,952	\$ 666	\$ -
Security of persons and property	3,013,281	546,355	64,865	-
Public health and welfare	8,152	33,815	-	-
Transportation.	358,107	73,644	414,260	100,000
Community environment	307,942	63,549	57,166	29,075
Leisure time activity.	204,652	73,075	55,223	-
Interest and fiscal charges.	4,485	-	-	-
Total governmental activities	<u>4,233,133</u>	<u>851,390</u>	<u>592,180</u>	<u>129,075</u>
Business-type activities:				
Sewer.	1,345,607	2,116,965	-	-
Water.	1,166,169	2,191,314	-	24,989
Total business-type activities	<u>2,511,776</u>	<u>4,308,279</u>	<u>-</u>	<u>24,989</u>
Total primary government	<u>\$ 6,744,909</u>	<u>\$ 5,159,669</u>	<u>\$ 592,180</u>	<u>\$ 154,064</u>

General revenues:

- Property taxes levied for:
 - General purposes
 - Recreation.
 - Police pension.
- Income taxes levied for:
 - General purposes
 - Police.
 - Capital projects.
- Permissive motor vehicle license tax.
- Grants and entitlements not restricted
 - to specific programs
- Investment earnings
- Change in fair value of investments.
- Miscellaneous

Total general revenues

Change in net position

Net position at beginning of year.

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (274,896)	\$ -	\$ (274,896)
(2,402,061)	-	(2,402,061)
25,663	-	25,663
229,797	-	229,797
(158,152)	-	(158,152)
(76,354)	-	(76,354)
(4,485)	-	(4,485)
<u>(2,660,488)</u>	<u>-</u>	<u>(2,660,488)</u>
-	771,358	771,358
-	1,050,134	1,050,134
-	<u>1,821,492</u>	<u>1,821,492</u>
<u>(2,660,488)</u>	<u>1,821,492</u>	<u>(838,996)</u>
263,822	-	263,822
48,324	-	48,324
25,155	-	25,155
2,750,681	-	2,750,681
342,023	-	342,023
696,593	-	696,593
59,225	-	59,225
257,601	-	257,601
54,641	42,408	97,049
(139,291)	-	(139,291)
1,956	23,249	25,205
<u>4,360,730</u>	<u>65,657</u>	<u>4,426,387</u>
1,700,242	1,887,149	3,587,391
<u>12,987,171</u>	<u>11,741,300</u>	<u>24,728,471</u>
<u>\$ 14,687,413</u>	<u>\$ 13,628,449</u>	<u>\$ 28,315,862</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<u>General</u>	<u>American Rescue Plan Act</u>	<u>Income Tax Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments.	\$ 3,287,902	\$ 315,091	\$ 1,115,631	\$ 1,802,808	\$ 6,521,432
Cash in segregated accounts.	-	-	-	150,686	150,686
Receivables:					
Income taxes.	380,367	-	-	38,037	418,404
Real and other taxes.	291,990	-	-	76,043	368,033
Accounts.	132,122	-	-	6,320	138,442
Special assessments.	20,214	-	-	-	20,214
Interfund loans.	46,044	-	-	-	46,044
Due from other governments.	111,508	-	-	177,829	289,337
Accrued interest.	13,980	-	-	-	13,980
Materials and supplies inventory.	9,267	-	-	30,745	40,012
Prepayments.	203,381	-	-	4,635	208,016
Total assets.	<u>\$ 4,496,775</u>	<u>315,091</u>	<u>\$ 1,115,631</u>	<u>\$ 2,287,103</u>	<u>\$ 8,214,600</u>
Liabilities:					
Accounts payable.	\$ 38,277	\$ -	\$ -	\$ 1,892	\$ 40,169
Accrued wages.	75,104	-	-	8,008	83,112
Due to other governments.	64,541	-	-	9,496	74,037
Interfund loans payable.	-	-	-	46,044	46,044
Unearned revenue.	-	315,091	-	-	315,091
Total liabilities.	<u>177,922</u>	<u>315,091</u>	<u>-</u>	<u>65,440</u>	<u>558,453</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year.	281,038	-	-	68,327	349,365
Delinquent property tax revenue not available.	9,850	-	-	2,335	12,185
Accrued interest not available.	8,682	-	-	-	8,682
Special assessments revenue not available.	20,214	-	-	-	20,214
Intergovernmental revenue not available.	72,283	-	-	116,417	188,700
Income tax revenue not available.	138,362	-	-	13,836	152,198
Total deferred inflows of resources.	<u>530,429</u>	<u>-</u>	<u>-</u>	<u>200,915</u>	<u>731,344</u>
Fund balances:					
Nonspendable.	1,795,662	-	-	61,032	1,856,694
Restricted.	-	-	-	1,624,673	1,624,673
Committed.	-	-	1,115,631	266,967	1,382,598
Assigned.	840,142	-	-	109,999	950,141
Unassigned (deficit).	1,152,620	-	-	(41,923)	1,110,697
Total fund balances.	<u>3,788,424</u>	<u>-</u>	<u>1,115,631</u>	<u>2,020,748</u>	<u>6,924,803</u>
Total liabilities, deferred inflows of resources and fund balances.	<u>\$ 4,496,775</u>	<u>\$ 315,091</u>	<u>\$ 1,115,631</u>	<u>\$ 2,287,103</u>	<u>\$ 8,214,600</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021

Total governmental fund balances		\$	6,924,803
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			14,536,469
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	152,198	
Real and other taxes receivable		12,185	
Intergovernmental receivable		188,700	
Special assessments receivable		20,214	
Accrued interest receivable		8,682	
Total			381,979
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.			
Net pension asset		45,999	
Deferred outflows of resources		909,130	
Deferred inflows of resources		(1,265,694)	
Net pension liability		(5,122,716)	
Total			(5,433,281)
The net OPEB asset and net OPEB liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Net OPEB asset		169,608	
Deferred outflows of resources		539,904	
Deferred inflows of resources		(949,282)	
Net OPEB liability		(579,740)	
Total			(819,510)
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		527,019	
Issue II loans payable		664,969	
Total			(1,191,988)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			288,941
Net position of governmental activities		\$	14,687,413

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General	Income Tax Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Income taxes	\$ 2,673,215	\$ 696,593	\$ 503,677	\$ 3,873,485
Real and other taxes.	267,919	-	133,937	401,856
Charges for services.	522,191	-	114,193	636,384
Licenses and permits	93,908	-	-	93,908
Fines and forfeitures	13,349	-	825	14,174
Intergovernmental.	288,666	-	556,514	845,180
Investment income.	46,652	-	13,775	60,427
Rental income	-	-	47,785	47,785
Contributions and donations.	17,000	-	96,342	113,342
Change in fair value of investments.	(139,291)	-	-	(139,291)
Other	69,679	-	575	70,254
Total revenues	<u>3,853,288</u>	<u>696,593</u>	<u>1,467,623</u>	<u>6,017,504</u>
Expenditures:				
Current:				
General government	705,945	-	100	706,045
Security of persons and property	2,812,472	-	504,808	3,317,280
Public health and welfare.	5,210	-	-	5,210
Transportation	375,454	-	247,856	623,310
Community environment	245,724	-	38,890	284,614
Leisure time activity	-	-	312,282	312,282
Capital outlay	-	107,503	454,087	561,590
Debt service:				
Principal retirement.	-	-	151,493	151,493
Interest and fiscal charges	-	1,842	2,643	4,485
Total expenditures.	<u>4,144,805</u>	<u>109,345</u>	<u>1,712,159</u>	<u>5,966,309</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(291,517)</u>	<u>587,248</u>	<u>(244,536)</u>	<u>51,195</u>
Other financing sources (uses):				
Transfers in	-	-	193,237	193,237
Transfers (out).	-	(193,237)	-	(193,237)
OPWC loan issuance	-	-	87,428	87,428
Total other financing sources (uses)	<u>-</u>	<u>(193,237)</u>	<u>280,665</u>	<u>87,428</u>
Net change in fund balances	(291,517)	394,011	36,129	138,623
Fund balances at beginning of year	<u>4,079,941</u>	<u>721,620</u>	<u>1,984,619</u>	<u>6,786,180</u>
Fund balances at end of year	<u>\$ 3,788,424</u>	<u>\$ 1,115,631</u>	<u>\$ 2,020,748</u>	<u>\$ 6,924,803</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Net change in fund balances - total governmental funds	\$	138,623
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 768,219	
Current year depreciation	<u>(670,332)</u>	
Total		97,887
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	(84,188)	
Real and other taxes	(5,330)	
Intergovernmental revenues	7,153	
Special assessments	(9,159)	
Investment income	<u>3,610</u>	
Total		(87,914)
Proceeds of loans are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(87,428)
Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		151,493
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	516,943	
OPEB	<u>9,050</u>	
Total		525,993
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB asset/liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(298,092)	
OPEB	<u>1,009,642</u>	
Total		711,550
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(50,445)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>300,483</u>
Change in net position of governmental activities	\$	<u>1,700,242</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 2,150,125	\$ 2,150,125	\$ 2,157,660	\$ 7,535
Real and other taxes	283,357	285,570	267,129	(18,441)
Charges for services	488,200	488,200	528,051	39,851
Licenses and permits	78,800	78,800	93,908	15,108
Fines and forfeitures	10,750	10,750	13,516	2,766
Intergovernmental	558,715	558,715	284,536	(274,179)
Investment income	43,600	43,600	24,178	(19,422)
Contributions and donations	12,000	12,000	17,000	5,000
Other	48,100	48,100	69,679	21,579
Total revenues	<u>3,673,647</u>	<u>3,675,860</u>	<u>3,455,657</u>	<u>(220,203)</u>
Expenditures:				
Current:				
General government	795,820	795,820	673,680	122,140
Security of persons and property	3,348,559	3,348,559	2,829,691	518,868
Public health and welfare	9,871	9,871	5,227	4,644
Transportation	437,674	437,674	375,078	62,596
Community environment	312,880	312,880	239,825	73,055
Total expenditures	<u>4,904,804</u>	<u>4,904,804</u>	<u>4,123,501</u>	<u>781,303</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,231,157)</u>	<u>(1,228,944)</u>	<u>(667,844)</u>	<u>561,100</u>
Other financing sources (uses):				
Sale of capital assets	7,000	7,000	-	(7,000)
Advances in	-	-	21,988	21,988
Advances (out)	-	(22,032)	(22,032)	-
Transfers in	94,000	94,000	26,320	(67,680)
Total other financing sources (uses)	<u>101,000</u>	<u>78,968</u>	<u>26,276</u>	<u>(52,692)</u>
Net change in fund balances	(1,130,157)	(1,149,976)	(641,568)	508,408
Fund balances at beginning of year	1,682,714	1,682,714	1,682,714	-
Prior year encumbrances appropriated	7,041	7,041	7,041	-
Fund balance at end of year	<u>\$ 559,598</u>	<u>\$ 539,779</u>	<u>\$ 1,048,187</u>	<u>\$ 508,408</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
AMERICAN RESCUE PLAN ACT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 315,091	\$ 315,091
Total revenues	<u>-</u>	<u>-</u>	<u>315,091</u>	<u>315,091</u>
Net change in fund balances	-	-	315,091	315,091
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,091</u>	<u>\$ 315,091</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Sewer	Water	Nonmajor Enterprise Fund	Total	
Assets:					
Current assets:					
Equity in pooled cash and investments.	\$ 1,314,290	\$ 3,457,221	\$ 15,607	\$ 4,787,118	\$ -
Cash with fiscal agent.	-	-	-	-	567,888
Receivables:					
Accounts.	285,635	283,576	-	569,211	-
Materials and supplies inventory.	37,459	109,969	-	147,428	-
Prepayments.	3,993	8,518	-	12,511	-
Restricted assets:					
Equity in pooled cash investments.	-	86,945	-	86,945	-
Total current assets	<u>1,641,377</u>	<u>3,946,229</u>	<u>15,607</u>	<u>5,603,213</u>	<u>567,888</u>
Noncurrent assets:					
Net pension asset	13,853	10,107	-	23,960	-
Net OPEB asset.	51,080	37,267	-	88,347	-
Capital assets:					
Nondepreciable capital assets	505,410	675,268	-	1,180,678	-
Depreciable capital assets, net.	5,426,531	5,223,280	-	10,649,811	-
Total capital assets, net.	<u>5,931,941</u>	<u>5,898,548</u>	<u>-</u>	<u>11,830,489</u>	<u>-</u>
Total noncurrent assets	<u>5,996,874</u>	<u>5,945,922</u>	<u>-</u>	<u>11,942,796</u>	<u>-</u>
Total assets	<u>7,638,251</u>	<u>9,892,151</u>	<u>15,607</u>	<u>17,546,009</u>	<u>567,888</u>
Deferred outflows of resources:					
Pension.	66,757	54,932	-	121,689	-
OPEB.	25,657	23,446	-	49,103	-
Total deferred outflows of resources	<u>\$ 92,414</u>	<u>\$ 78,378</u>	<u>\$ -</u>	<u>\$ 170,792</u>	<u>-</u>

- - Continued

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2021

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Fund</u>		
Liabilities:					
Current liabilities:					
Accounts payable	\$ 31,027	\$ 25,044	\$ -	\$ 56,071	\$ -
Contracts payable	-	34,287	-	34,287	-
Accrued wages	12,278	8,347	-	20,625	-
Compensated absences	68,530	29,783	-	98,313	-
Due to other governments	7,668	5,649	-	13,317	-
Accrued interest payable	9,714	-	-	9,714	-
Payable from restricted assets:					
Refundable deposits payable	-	86,945	-	86,945	-
OWDA loans payable	132,709	-	-	132,709	-
OPWC loans payable	9,918	3,000	-	12,918	-
Claims payable	-	-	-	-	69,518
Total current liabilities	<u>271,844</u>	<u>193,055</u>	<u>-</u>	<u>464,899</u>	<u>69,518</u>
Long-term liabilities:					
Compensated absences payable	84,421	20,218	-	104,639	-
OWDA loans payable	1,990,076	198,979	-	2,189,055	-
OPWC loans payable	54,740	48,000	-	102,740	-
Net pension liability	419,397	305,984	-	725,381	-
Total long-term liabilities	<u>2,548,634</u>	<u>573,181</u>	<u>-</u>	<u>3,121,815</u>	<u>-</u>
Total liabilities	<u>2,820,478</u>	<u>766,236</u>	<u>-</u>	<u>3,586,714</u>	<u>69,518</u>
Deferred inflows of resources:					
Pension	248,159	149,226	-	397,385	-
OPEB	192,521	121,161	-	313,682	-
Total deferred inflows of resources	<u>440,680</u>	<u>270,387</u>	<u>-</u>	<u>711,067</u>	<u>-</u>
Net position:					
Net investment in capital assets	3,884,180	5,614,282	-	9,498,462	-
Unrestricted	<u>585,327</u>	<u>3,319,624</u>	<u>15,607</u>	<u>3,920,558</u>	<u>498,370</u>
Total net position	<u>\$ 4,469,507</u>	<u>\$ 8,933,906</u>	<u>\$ 15,607</u>	<u>13,419,020</u>	<u>\$ 498,370</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.				<u>209,429</u>	
Net position of business-type activities				<u>\$ 13,628,449</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Fund</u>		
Operating revenues:					
Charges for services	\$ 2,114,415	\$ 2,171,214	\$ -	\$ 4,285,629	\$ 1,113,882
Tap-in fees.	2,550	20,100	-	22,650	-
Large claim reimbursements.	-	-	-	-	280,469
Other operating revenues	684	22,565	-	23,249	22,219
Total operating revenues.	<u>2,117,649</u>	<u>2,213,879</u>	<u>-</u>	<u>4,331,528</u>	<u>1,416,570</u>
Operating expenses:					
Personal services	530,636	483,523	-	1,014,159	-
Contract services.	72,402	62,145	-	134,547	309,359
Materials and supplies.	95,932	209,406	-	305,338	-
Utilities	232,784	119,849	-	352,633	-
Claims expense	-	-	-	-	724,668
Depreciation.	447,738	314,850	-	762,588	-
Total operating expenses.	<u>1,379,492</u>	<u>1,189,773</u>	<u>-</u>	<u>2,569,265</u>	<u>1,034,027</u>
Operating income	<u>738,157</u>	<u>1,024,106</u>	<u>-</u>	<u>1,762,263</u>	<u>382,543</u>
Nonoperating revenues (expenses):					
Interest and fiscal charges	(21,337)	(7,019)	-	(28,356)	-
Interest income	24,020	18,388	-	42,408	3,785
Total nonoperating revenues (expenses)	<u>2,683</u>	<u>11,369</u>	<u>-</u>	<u>14,052</u>	<u>3,785</u>
Income before capital contributions.	740,840	1,035,475	-	1,776,315	386,328
Capital contributions.	<u>-</u>	<u>24,989</u>	<u>-</u>	<u>24,989</u>	<u>-</u>
Change in net position	740,840	1,060,464	-	1,801,304	386,328
Net position at beginning of year.	<u>3,728,667</u>	<u>7,873,442</u>	<u>15,607</u>		<u>112,042</u>
Net position at end of year	<u>\$ 4,469,507</u>	<u>\$ 8,933,906</u>	<u>\$ 15,607</u>		<u>\$ 498,370</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>85,845</u>	
Change in net position of business-type activities.				<u>\$ 1,887,149</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Fund</u>		
Cash flows from operating activities:					
Cash received from customers	\$ 2,162,023	\$ 2,224,190	\$ -	\$ 4,386,213	\$ 1,113,882
Cash received from large claim reimbursements	-	-	-	-	280,469
Cash received from other operations	684	22,565	-	23,249	22,219
Cash payments for personal services	(1,025,635)	(795,194)	-	(1,820,829)	-
Cash payments for contract services	(77,034)	(63,311)	-	(140,345)	(309,359)
Cash payments for materials and supplies	(112,614)	(221,767)	-	(334,381)	-
Cash payments for utilities	(215,092)	(112,059)	-	(327,151)	-
Cash payments for claims	-	-	-	-	(779,316)
Net cash provided by operating activities	<u>732,332</u>	<u>1,054,424</u>	<u>-</u>	<u>1,786,756</u>	<u>327,895</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(140,553)	(274,250)	-	(414,803)	-
Capital grant proceeds	-	24,989	-	24,989	-
OWDA loan proceeds	523,842	198,979	-	722,821	-
Principal retirement	(691,345)	(4,500)	-	(695,845)	-
Interest and fiscal charges	(22,228)	(7,019)	-	(29,247)	-
Net cash used in capital and related financing activities	<u>(330,284)</u>	<u>(61,801)</u>	<u>-</u>	<u>(392,085)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received	<u>24,020</u>	<u>18,388</u>	<u>-</u>	<u>42,408</u>	<u>3,785</u>
Net cash provided by investing activities	<u>24,020</u>	<u>18,388</u>	<u>-</u>	<u>42,408</u>	<u>3,785</u>
Net increase in cash and investments	426,068	1,011,011	-	1,437,079	331,680
Cash and investments at beginning of year	888,222	2,533,155	15,607	3,436,984	236,208
Cash and investments at end of year	<u>\$ 1,314,290</u>	<u>\$ 3,544,166</u>	<u>\$ 15,607</u>	<u>\$ 4,874,063</u>	<u>\$ 567,888</u>

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**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Fund</u>	<u>Total</u>	
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 738,157	\$ 1,024,106	\$ -	\$ 1,762,263	\$ 382,543
Adjustments:					
Depreciation	447,738	314,850	-	762,588	-
Changes in assets, deferred inflows, liabilities and deferred outflows:					
Change in materials and supplies inventory	(15,537)	4,770	-	(10,767)	-
Change in accounts receivable	45,058	68,011	-	113,069	-
Change in prepayments	(3,993)	(3,758)	-	(7,751)	-
Change in net pension asset	(3,939)	(3,298)	-	(7,237)	-
Change in net OPEB asset	(51,080)	(37,267)	-	(88,347)	-
Change in deferred outflows - pension	28,104	27,655	-	55,759	-
Change in deferred outflows - OPEB	44,850	36,701	-	81,551	-
Change in accounts payable	12,385	(9,595)	-	2,790	-
Change in accrued wages	(1,937)	151	-	(1,786)	-
Change in intergovernmental payable	2,381	2,033	-	4,414	-
Change in compensated absences payable	(18,433)	(1,811)	-	(20,244)	-
Change in net pension liability	(200,701)	(119,898)	-	(320,599)	-
Change in net OPEB liability	(436,561)	(299,829)	-	(736,390)	-
Change in deferred inflows - pension	50,630	27,907	-	78,537	-
Change in deferred inflows - OPEB	95,210	58,831	-	154,041	-
Change in claims payable	-	-	-	-	(54,648)
Change in payable from restricted assets	-	(35,135)	-	(35,135)	-
Net cash provided by operating activities	<u>\$ 732,332</u>	<u>\$ 1,054,424</u>	<u>\$ -</u>	<u>\$ 1,786,756</u>	<u>\$ 327,895</u>

Non-cash transactions:

At December 31, 2021, the water fund purchased \$34,287 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - DESCRIPTION OF THE CITY

The City of Willard (“The City”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution of the State of Ohio.

The City was originally organized as the Village of Chicago Junction in 1874. The name was changed to the Village of Willard in 1917, which became the City of Willard in 1959 as a home rule municipal corporation under the laws of the State of Ohio. The City operates under a council-manager form of government and provides the following services as authorized by its charter: public safety, public services, recreation and development.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City’s accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the City’s BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization’s Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s basic financial statements to be misleading or incomplete.

The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Willard, this includes police protection, fire protection, EMS services, street maintenance and repairs, planning and zoning, parks and recreation, water, sewer and storm water. The operation of each of these activities is directly controlled by Council through the budgetary process.

The City of Willard owns and is responsible for the lighting and any major repairs and improvements of the Willard Airport. Rental fees for use of public property and proceeds from the sale of airplane fuel are collected by the City and any minor repairs, services, and operations at the airport are performed by the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City is associated with a certain organization which is considered a public entity risk pool:

Jefferson Health Plan (JHP) Health Benefits Program

The JHP is a council of governments of school districts and other political subdivisions organized and existing as a joint self-insurance program pursuant to Section 9.833 of the Ohio Revised Code providing health care and related insurance benefits to over fifty member organizations. The JHP's business affairs are conducted by a Board of Directors elected from member organizations and composed of one representative from each county served and a career center representative. Each member organization pays a monthly premium based on its claims history and a monthly administration fee.

B. Basis of Presentation - Fund Accounting

The City's BFS consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

General - The general fund accounts and reports for all financial resources except those not accounted for in another fund. This includes, but is not limited to, police and fire protection, public health activities, cemetery, and the general administration of City functions. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

American Rescue Plan Act Fund - This fund accounts for monies received from the federal government as part of the American Rescue Plan Act (ARPA) of 2021. This Act provides additional relief to address the continued impact of the COVID-19 pandemic.

Income tax capital improvement - This fund accounts for income tax receipts that are used for the acquisition and construction of capital assets.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds - Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise funds or internal service funds.

Enterprise funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sewer - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Water - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

The City's nonmajor enterprise fund accounts for the provision of storm drainage runoff services to the residents and commercial users located within the City.

Internal service fund - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund is used to account for the self-insurance program for medical, prescription, dental and vision benefits.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no fiduciary funds.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the operation of the City are included on the statement of net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and deferred inflows of resources and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days after year end.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 14 and 15 for deferred outflows of resources related the City's net pension liability and net OPEB liability, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2021, but which were levied to finance 2022 operations. This amount has been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 14 and 15 for deferred inflows of resources related to the City's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council at the legal level of control.

Estimated Resources - The County Budget Commission certifies its actions to the City by September 1. As part of this process, the City receives the official certificate of estimated resources, which states the projected cash receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered cash balances from the preceding year.

Appropriations - In accordance with the City Charter, an annual appropriation ordinance must be passed by December 26 of each year for the following period January 1 to December 31; this must be submitted to the County by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not re-appropriated as part of the subsequent year appropriations.

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized during the year for budget control purposes. Encumbrances outstanding at year-end are reported as expenditures under the City's budgetary basis of accounting. For GAAP reporting purposes, encumbrances outstanding at year end are reported in the various fund balance classifications as part of fund balance.

H. Inventories of Materials and Supplies

On the government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed. Inventories of the proprietary funds are expensed when used.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance which indicates that it does not constitute available spendable resources even though it is a component of fund balance.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2021, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and reflecting the expenditures/expense in the year in which it was consumed.

J. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

During 2021, investments were limited to investments in federal agency securities, commercial paper, U.S. Treasury notes, negotiable certificates of deposit, municipal bonds and a U.S. Government money market fund. Investments are reported at fair value which is based on quoted market prices.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2021 amounted to \$46,652, which included \$17,787 assigned from other funds of the City.

For purpose of presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the City's investment account at year end is provided in Note 4.

K. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$1,000. The City's infrastructure consists of streets, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land improvements	10 years	10 years
Buildings	20-40 years	20-40 years
Equipment	5-15 years	5-15 years
Vehicles	5 years	5 years
Infrastructure	40 years	-----
Utility plant in service	-----	40-80 years

L. Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributed to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination (severance) payments and by those employees for whom it is probable they will become eligible to receive termination (severance) benefits in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service; or 20 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

O. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the BFS.

P. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Q. Restricted Assets

Amounts held as deposits for water service are restricted and can only be expended for the return of such deposit, or to apply to the customer's account when the service is discontinued.

R. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

S. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. The City's water fund received \$24,989 in capital contributions from grantors during 2021.

T. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes primarily includes amounts restricted for school resource officer grant, emergency management, an urban development block grant, clock tower donations and military memorial donations.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2021.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

V. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, net pension asset, net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

W. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2021, the City has implemented GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period."

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the City.

For 2021, the City has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance" to GASB Statement Nos. 91, 92 and 93, which were originally due to be implemented in 2021 and to GASB Statement No. 87, which was originally due to be implemented in 2020. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following pronouncements are postponed by one year and the City has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The following pronouncements are postponed by eighteen months and the City has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, *Leases*

B. Deficit Fund Balance

Fund balances at December 31, 2021 included the following individual fund deficit:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
CDBG	\$ 41,923

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

Monies held by the City are classified by State statute into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits in interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if trading requirements have been met;

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the City.

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the City had \$1,100 in undeposited cash on hand which is included on the financial statements of the City as part of "equity in pooled cash and investments", but is not considered part of the City's carrying amount of deposits at year end.

B. Cash in Segregated Accounts

At year end, the City had \$150,686 deposited with the Huron County Treasurer for monies related to the municipal road fund permissive tax.

C. Cash with Fiscal Agent

The City utilizes a self-insurance third party administrator to review and pay claims. Money held by the administrator is presented as "cash with fiscal agent." The amount held by the fiscal agent at December 31, 2021 was \$567,888.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Deposits with Financial Institutions

At December 31, 2021, the carrying amount of all City deposits was \$1,668,605. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2021, \$1,633,402 of the City’s bank balance of \$1,883,402 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City’s and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2021, the City’s financial institutions did not participate in the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

E. Investments

As of December 31, 2021, the City had the following investments and maturities:

Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FNMA	\$ 706,212	\$ -	\$ -	\$ -	\$ 247,555	\$ 458,657
FFCB	1,468,252	-	-	99,487	361,883	1,006,882
FAMC	248,280	-	-	-	-	248,280
FHLB	982,776	-	-	-	-	982,776
FHLMC	1,057,486	-	252,483	-	-	805,003
Negotiable CDs	2,747,397	247,448	497,647	-	-	2,002,302
Municipal bonds	282,802	-	125,085	-	-	157,717
Commercial paper	1,089,308	744,826	344,482	-	-	-
U.S. Treasury notes	1,136,876	-	-	99,324	198,207	839,345
U.S. government money market fund	6,401	6,401	-	-	-	-
Total	\$ 9,725,790	\$ 998,675	\$ 1,219,697	\$ 198,811	\$ 807,645	\$ 6,500,962

The weighted average maturity of investments is 2.52 years.

The City's investments in U.S. government money market funds are valued using quoted market prices in active markets (Level 1 inputs). The City's investments in federal agency securities (FFCB, FAMC, FHLB, FHLMC, FNMA), U.S. Treasury notes, municipal bonds, commercial paper and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned the U.S. government money market fund an AAAM money market rating. The City's investments in federal agency securities and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City's investments in commercial paper were rated A-1 and P-1 by Standard & Poor's and Moody's Investor Services, respectively. The City's investments in municipal bonds are rated AAA or SP-1+ by Standard & Poor's. The City's investments in negotiable certificates of deposit are fully insured by the FDIC. The City's investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities, municipal bonds, commercial paper and U.S. Treasury notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. The City's investments in negotiable CDs are insured by the FDIC. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the finance director or qualified trustee.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2021:

Investment type	Measurement	
	Value	% of Total
FNMA	\$ 706,212	7.26
FFCB	1,468,252	15.10
FAMC	248,280	2.55
FHLB	982,776	10.10
FHLMC	1,057,486	10.87
Negotiable CDs	2,747,397	28.25
Municipal bonds	282,802	2.91
Commercial paper	1,089,308	11.20
U.S. Treasury notes	1,136,876	11.69
U.S. government money market	6,401	0.07
Total	<u>\$ 9,725,790</u>	<u>100.00</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

F. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2021:

<u>Cash and investments per note disclosure:</u>	
Carrying amount of deposits	\$ 1,668,605
Investments	9,725,790
Cash in segregated accounts	150,686
Cash with fiscal agent	567,888
Cash on hand	<u>1,100</u>
Total	<u>\$ 12,114,069</u>
 <u>Cash and investments per statement of net position:</u>	
Governmental activities	\$ 7,240,006
Business-type activities	<u>4,874,063</u>
Total	<u>\$ 12,114,069</u>

NOTE 5 - INTERFUND ACTIVITY

- A. Interfund transfers for the year ended December 31, 2021, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
Income tax capital improvement fund	\$ 193,237

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The purpose of the transfer from the income tax capital improvement fund was to pay off existing debt.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B. Interfund loans consisted of the following at December 31, 2021, as reported on the fund financial statements.

Receivable fund	Payable fund	Amount
General	Nonmajor governmental	\$ 46,044

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2021 public utility property taxes became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Willard. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2021 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2021 operations and the collection of delinquent taxes has been offset by deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2021 was \$3.80 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2021 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 54,085,910
Commercial/industrial/mineral	29,056,720
<u>Public utility</u>	
Real	3,411,410
Personal	8,402,100
	<hr/>
Total assessed value	<u>\$ 94,956,140</u>

NOTE 7 - LOCAL INCOME TAX

For 2021, the City levies an income tax of 1.375%. The income tax is levied on the gross salaries, wages and other personnel service compensation earned by residents of the City and to the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a full credit for taxes paid to other Ohio municipalities, up to the percentage which would be due to the City.

The revenue received from income tax is recorded directly into the City income tax fund, capital improvement fund, or police levy fund, a nonmajor governmental fund. The costs of operating the income tax department and income tax refunds are expended from the income tax fund. Pursuant to §197.14 of the City Charter, at least 40% of the remaining funds shall be allocated to capital improvements, maintenance and repair. The remaining balance shall be used in accordance with ordinances adopted and approved by Council.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8 – RECEIVABLES

Receivables at December 31, 2021, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2021.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Income taxes	\$ 418,404
Real and other taxes	368,033
Accounts	138,442
Special assessments	20,214
Due from other governments	289,337
Accrued interest	13,980

Business-type activities:

Accounts	569,211
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Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year is the special assessments receivable which is collected over the life of the assessments.

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**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - CAPITAL ASSETS

A. Governmental capital asset activity for the year ended December 31, 2021, was as follows:

Governmental activities:	<u>Balance 1/1/2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/2021</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,320,002	\$ -	\$ -	\$ 1,320,002
Construction in progress	<u>214,433</u>	<u>69,511</u>	<u>(167,918)</u>	<u>116,026</u>
<i>Total capital assets, not being depreciated</i>	<u>1,534,435</u>	<u>69,511</u>	<u>(167,918)</u>	<u>1,436,028</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	379,133	32,953	-	412,086
Buildings	4,403,682	16,925	-	4,420,607
Equipment	3,410,671	117,122	-	3,527,793
Vehicles	3,198,430	51,302	(29,870)	3,219,862
Infrastructure	<u>14,398,628</u>	<u>648,324</u>	<u>-</u>	<u>15,046,952</u>
<i>Total capital assets, being depreciated</i>	<u>25,790,544</u>	<u>866,626</u>	<u>(29,870)</u>	<u>26,627,300</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(294,340)	(10,745)	-	(305,085)
Buildings	(3,309,555)	(62,105)	-	(3,371,660)
Equipment	(2,262,709)	(165,994)	-	(2,428,703)
Vehicles	(2,845,863)	(79,220)	29,870	(2,895,213)
Infrastructure	<u>(4,173,930)</u>	<u>(352,268)</u>	<u>-</u>	<u>(4,526,198)</u>
<i>Total accumulated depreciation</i>	<u>(12,886,397)</u>	<u>(670,332)</u>	<u>29,870</u>	<u>(13,526,859)</u>
Total capital assets, being depreciated, net	<u>12,904,147</u>	<u>196,294</u>	<u>-</u>	<u>13,100,441</u>
Total governmental activities capital assets	<u>\$ 14,438,582</u>	<u>\$ 265,805</u>	<u>\$ (167,918)</u>	<u>\$ 14,536,469</u>

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**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2021, was as follows:

Business-type activities:	<u>Balance</u> <u>1/1/2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/2021</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 954,431	\$ -	\$ -	\$ 954,431
Construction in progress	<u>-</u>	<u>226,247</u>	<u>-</u>	<u>226,247</u>
<i>Total capital assets, not being depreciated:</i>	<u>954,431</u>	<u>226,247</u>	<u>-</u>	<u>1,180,678</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	114,014	-	-	114,014
Buildings	6,745,609	14,995	-	6,760,604
Equipment	8,397,769	114,598	-	8,512,367
Vehicles	812,918	-	-	812,918
Utility plant in service	<u>13,573,113</u>	<u>93,250</u>	<u>-</u>	<u>13,666,363</u>
<i>Total capital assets, being depreciated:</i>	<u>29,643,423</u>	<u>222,843</u>	<u>-</u>	<u>29,866,266</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(89,045)	(3,271)	-	(92,316)
Buildings	(5,795,916)	(95,760)	-	(5,891,676)
Equipment	(5,219,524)	(302,482)	-	(5,522,006)
Vehicles	(659,485)	(20,869)	-	(680,354)
Utility plant in service	<u>(6,689,897)</u>	<u>(340,206)</u>	<u>-</u>	<u>(7,030,103)</u>
<i>Total accumulated depreciation</i>	<u>(18,453,867)</u>	<u>(762,588)</u>	<u>-</u>	<u>(19,216,455)</u>
Total capital assets, being depreciated, net	<u>11,189,556</u>	<u>(539,745)</u>	<u>-</u>	<u>10,649,811</u>
Total business-type activities capital assets	<u>\$ 12,143,987</u>	<u>\$ (313,498)</u>	<u>\$ -</u>	<u>\$ 11,830,489</u>

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**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - CAPITAL ASSETS - (Continued)

C. Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 27,552
Security of persons and property	178,155
Public health and welfare	2,063
Transportation	340,817
Community environment	79,849
Leisure time activities	<u>41,896</u>
Total governmental activities	<u>\$ 670,332</u>

Business-type activities:

Sewer	\$ 447,738
Water	<u>314,850</u>
Total business-type activities	<u>\$ 762,588</u>

NOTE 10 - VACATION, SICK LEAVE AND ACCUMULATED UNPAID EMPLOYEE BENEFITS

Vacation is earned and accrued monthly based upon the years of service, ranging from 4 hours/month to 20 hours/month. Vacation may be accrued up to two full years. Accrued vacation is paid at termination unless the employee has not completed one full year of service. The total obligation for vacation accrual for the City as a whole amounted to \$354,832 at December 31, 2021. Sick leave accumulates at a rate of 10 hours/month for all full-time employees. Accumulation of sick leave is limited to 1,440 hours. The amount payable to an eligible retiree is 35% of the unused accumulated sick leave.

The pay-off of the sick leave provision is also applicable in the case of death. The maximum liability to the City for accumulated sick leave vested employees on December 31, 2021 was \$375,139.

The City has union agreements with the Fraternal Order of Police (FOP) and the International Association of Fire Fighters (IAFF). The FOP agreement covers all the full-time police officers and dispatchers except the chief of police, assistant chief of police and probationary employees in the first sixty days of employment. The agreement with the IAFF covers all full-time fire fighters except the chief and assistant chief. Non-union employees are governed by the charter and City ordinances.

The agreement states that 35% of accrued unpaid sick leave will be paid to an employee when the employee retires from active service with the City and qualifies and begins to receive pension payments under the Ohio Public Employees Retirement System (OPERS) or other State operated pension and retirement programs. Sick leave may be accumulated to a total of 1,440 hours. A full-time employee shall be entitled to a cash payment, equal to 35% of his daily wage, of any unused sick leave accumulated in the current year above the 1,440 hour limit. This payment is made during the last pay period each year. After an employee has worked for the City for one year, the employee is entitled to vacation leave following his anniversary date. An employee may accumulate two years of unused vacation. No employee shall be compensated for any vacation not taken unless the employee is leaving the service of the City.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - NOTES PAYABLE

The City had the following bond anticipation note activity during 2021:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/2020</u>	<u>Issued</u>	<u>Reductions</u>	<u>Balance 12/31/2021</u>
Governmental activities:						
<i>Note and bond retirement fund:</i>						
Fire truck	2020	0.89%	\$ 32,000	\$ -	\$ (32,000)	\$ -
<i>Income tax capital improvement fund:</i>						
Fire engine	2020	0.89%	108,500	-	(108,500)	-
Ambulance	2020	0.89%	202,000	-	(202,000)	-
Total governmental activities			342,500	-	(342,500)	-
Business-type activities:						
<i>Sewer fund:</i>						
WWTP upgrade	2020	0.89%	522,000	-	(522,000)	-
Total business-type activities			522,000	-	(522,000)	-
Total notes payable			<u>\$ 864,500</u>	<u>\$ -</u>	<u>\$ (864,500)</u>	<u>\$ -</u>

Bond anticipation notes - fire truck: On August 20, 2020, the City issued \$32,000 in fire truck bond anticipation notes. The proceeds were used to retire the 2019 notes. These notes bore an interest rate of 0.89% and matured on August 20, 2021. These notes were recorded as a liability in the note and bond retirement fund, which is the fund that received the proceeds. The note and bond retirement fund is a nonmajor governmental fund.

Bond anticipation notes - fire engine: On August 20, 2020, the City issued \$108,500 in fire engine bond anticipation notes. The proceeds were used to retire the 2019 notes. These notes bore an interest rate of 0.89% and matured on August 20, 2021. These notes were recorded as a liability in the income tax capital improvement fund, which is the fund that received the proceeds.

Bond anticipation notes - ambulance: On August 20, 2020, the City issued \$202,000 in ambulance bond anticipation notes. The proceeds were used to retire the 2019 notes. These notes bore an interest rate of 0.89% and matured on August 20, 2021. These notes were recorded as a liability in the income tax capital improvement fund, which is the fund that received the proceeds.

Bond anticipation notes - WWTP upgrade: On August 20, 2020, the City issued \$522,000 in bond anticipation notes. The proceeds were used to retire the 2019 notes. These notes bore an interest rate of 0.89% and matured on August 20, 2021. These notes were recorded as a liability in the sewer fund, which is the fund that received the proceeds. The City refinanced this note using proceeds of an OWDA loan discussed in Note 12.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 12 - LONG-TERM OBLIGATIONS

A. During 2021, the following changes occurred in governmental activities long-term obligations.

Governmental activities:	Date of Issue	Interest Rate	Balance 12/31/2020	Additions	Retirements	Balance 12/31/2021	Amounts Due in One Year
<u>Issue II loans - direct borrowings:</u>							
Ash Street reconstruction II	2006	0.00%	\$ 42,827	\$ -	\$ (9,177)	\$ 33,650	\$ 6,118
Myrtle Avenue curbs and ramps	2009	0.00%	15,000	-	(2,250)	12,750	1,500
Myrtle Avenue phase VII	2011	0.00%	12,000	-	(1,500)	10,500	1,000
Street improvements	2016	0.00%	622,977	-	(133,495)	489,482	88,996
Pearl Street improvements	2017	0.00%	9,762	-	(1,830)	7,932	1,220
US 224 improvements phase IV	2017	0.00%	13,500	-	(1,125)	12,375	750
Spring Street improvements	2018	0.00%	12,301	-	(2,050)	10,251	1,367
Euclid Street improvements	2020	0.00%	667	-	(66)	601	67
Willard street improvements	2021	0.00%	-	87,428	-	87,428	8,743
Total Issue II loans			<u>729,034</u>	<u>87,428</u>	<u>(151,493)</u>	<u>664,969</u>	<u>109,761</u>
<u>Other long-term obligations:</u>							
Net pension liability			5,619,964	11,648	(508,896)	5,122,716	-
Net OPEB liability			1,883,916	34,501	(1,338,677)	579,740	-
Compensated absences			<u>476,574</u>	<u>211,092</u>	<u>(160,647)</u>	<u>527,019</u>	<u>256,519</u>
Total other long-term obligations			<u>7,980,454</u>	<u>257,241</u>	<u>(2,008,220)</u>	<u>6,229,475</u>	<u>256,519</u>
Total governmental activities long-term obligations			<u>\$ 8,709,488</u>	<u>\$ 344,669</u>	<u>\$ (2,159,713)</u>	<u>\$ 6,894,444</u>	<u>\$ 366,280</u>

Issue II loans: These loans were issued for various street improvements. Funding came from Issue II monies in the form of a note payable that is to be repaid from local funds from the note and bond retirement fund, a nonmajor governmental fund. The 2016 street improvements, Pearl Street improvements, Euclid Street improvements, Spring Street improvements, and 2021 Willard street improvements loans will be repaid over a period of 10 years while all other governmental activities Issue II loans will be repaid over a period of 20 years. These loans are interest free.

Issue II loans are direct borrowings that have terms negotiated directly between the City and the Ohio Public Works Commission (OPWC) and are not offered for public sale. In the event of default, the OPWC may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

Compensated absences: The liability reported in the statement of net position for governmental activities compensated absences will be paid from the fund from which the employee's salaries are paid, which, for the City, is the general fund and the following nonmajor governmental funds: street construction, maintenance & repair fund, police income tax fund and the recreation fund.

Net pension liability and net OPEB liability: For a discussion of the City's net pension liability and net OPEB liability, see Notes 14 and 15.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The following is the summary of the City's future annual debt service and interest requirements for governmental activities obligations:

Year Ending December 31,	Issue II Loans - Direct Borrowing		
	Principal	Interest	Total
2022	\$ 109,761	\$ -	\$ 109,761
2023	109,763	-	109,763
2024	109,759	-	109,759
2025	109,762	-	109,762
2026	109,763	-	109,763
2027 - 2031	110,786	-	110,786
2032 - 2036	4,250	-	4,250
2037 - 2038	1,125	-	1,125
Total	<u>\$664,969</u>	<u>\$ -</u>	<u>\$ 664,969</u>

B. During 2021, the following changes occurred in the City's business-type long-term obligations.

Business-type activities:	Date of Issue	Interest Rate	Balance 1/1/2021	Additions	Retirements	Balance 12/31/2021	Amounts
							Due in One Year
<u>OWDA loans - direct borrowings:</u>							
Sewer loan	2001	2.20%	\$ 32,108	\$ -	\$ (32,108)	\$ -	\$ -
Storm water loan	2001	2.20%	15,988	-	(15,988)	-	-
US 224 lift station	2010	1.00%	115,930	-	(11,079)	104,851	11,191
WWTP improvements	2014	1.00%	1,589,385	-	(95,293)	1,494,092	96,248
Sewer plant improvements	2021	0.76%	-	523,842	-	523,842	25,270
Water system improvements	2021	0.00%	-	198,979	-	198,979	-
Total OWDA loans			<u>1,753,411</u>	<u>722,821</u>	<u>(154,468)</u>	<u>2,321,764</u>	<u>132,709</u>
<u>Issue II loans - direct borrowings:</u>							
Woodbine Avenue	2005	0.00%	13,310	-	(3,630)	9,680	2,420
US 224 pump station	2010	0.00%	33,725	-	(3,747)	29,978	2,498
WWTP improvements	2014	0.00%	32,500	-	(7,500)	25,000	5,000
Raw waterline replacement	2017	0.00%	55,500	-	(4,500)	51,000	3,000
Total Issue II loans			<u>135,035</u>	<u>-</u>	<u>(19,377)</u>	<u>115,658</u>	<u>12,918</u>
<u>Other long-term obligations:</u>							
Net pension liability			1,045,980	-	(320,599)	725,381	-
Net OPEB liability			736,390	-	(736,390)	-	-
Compensated absences			223,196	42,039	(62,283)	202,952	98,313
Total other long-term obligations			<u>2,005,566</u>	<u>42,039</u>	<u>(1,119,272)</u>	<u>928,333</u>	<u>98,313</u>
Total business-type activities long-term obligations			<u>\$ 3,894,012</u>	<u>\$ 764,860</u>	<u>\$ (1,293,117)</u>	<u>\$ 3,365,755</u>	<u>\$ 243,940</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Issue II loans: These loans were issued for the purpose of advancing funds so as to improve the Woodbine Avenue sewer system, US 224 pump station, the wastewater treatment plant (WWTP), and the raw waterline replacement. Funding for the projects came from the local funds and the above-mentioned notes. The WWTP improvement loan will be repaid over a period of 10 years. The other loans will be repaid over a period of 20 years. The loans are interest free. The Woodbine Avenue, US 224 pump station and WWTP improvement loans are to be repaid from the sewer fund. The raw waterline replacement loan is to be repaid from the water fund.

Issue II loans are direct borrowings that have terms negotiated directly between the City and the Ohio Public Works Commission (OPWC) and are not offered for public sale. In the event of default, the OPWC may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

OWDA (Ohio Water Development Authority) loans:

Sewer loan: The debt was incurred in 2001 to pay the cost of improvements to the sewer line on South Main Street. The project was funded by local funds which were borrowed from the Ohio EPA but administered by the OWDA. A cooperative agreement was entered into in 2001 to finance the local portion. The loan is payable from revenues of the sewer fund. This loan bears an interest rate of 2.20% and matured on July 1, 2021.

Storm water loan 2001: The debt was incurred in 2001 to pay the cost of improvements to the storm water drainage system at U.S. Route 224 - Section A. The project was funded by local funds which were borrowed from the Ohio EPA but administered by the OWDA. A cooperative agreement was entered into in 2001 to finance the local portion. The loan is payable from the sewer fund. This loan bears an interest rate of 2.20% and matured on July 1, 2021.

US 224 lift station 2010: The debt was incurred in 2010 to pay the cost of improvements to the US 224 lift station. The loan is payable from the sewer fund. This loan bears an interest rate of 1.00% and matures on July 1, 2030.

WWTP improvement 2014: The debt was incurred beginning in 2014 to pay the cost of improvements to the wastewater treatment plant. The loan is payable from the sewer fund. This loan bears an interest rate of 1.00% and matures on January 1, 2036.

Sewer plant improvements 2021: The debt was incurred in 2021 to refinance the bond anticipation note payable discussed in Note 11, which was used to pay for upgrades at the wastewater treatment plant. The loan is payable from the sewer fund. This loan bears an interest rate of 0.76% and matures on July 1, 2031.

Water system improvement 2021: The debt was incurred beginning in 2021 to pay the cost of improvements to the water system. The loan is payable from the water fund. This loan bears an interest rate of 0.00% and matures on July 1, 2027. At December 31, 2021, the project is ongoing and the loan has not been finalized. Additional amounts are expected to be drawn down in 2022. Therefore, the balance of this loan is not included in the amortization schedule presented below.

The City has pledged future sewer revenues to repay OWDA loans. The loans are payable solely from sewer fund revenues and are payable through 2036. Annual principal and interest payments on the loans are expected to require 14.22 percent of net revenues and 8.03 percent of total revenues. Principal and interest paid for the current year were \$172,050, total net revenues were \$1,209,915 and total revenues were \$2,141,669.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The City has pledged future water revenues to repay OWDA loans. The City was not required to make any principal or interest payments on the water fund OWDA loan during 2021.

OWDA loans are direct borrowings that have terms negotiated directly between the City and the OWDA and are not offered for public sale. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

Compensated absences: The liability reported on the statement of net position for business-type activities compensated absences will be paid from the fund from which the employee's salaries are paid, which, for the City, are the water fund and the sewer fund.

Net pension liability and net OPEB liability: For a discussion of the City's net pension liability and net OPEB liability, see Notes 14 and 15.

The following is the summary of the City's future annual debt service and interest requirements for business-type activities obligations:

Year Ending December 31,	OWDA Loans - Direct Borrowing			Issue II Loans - Direct Borrowing		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 132,709	\$ 19,161	\$ 151,870	\$ 12,918	\$ -	\$ 12,918
2023	162,247	18,332	180,579	12,918	-	12,918
2024	163,743	16,835	180,578	12,918	-	12,918
2025	165,254	15,324	180,578	12,919	-	12,919
2026	166,780	13,798	180,578	10,498	-	10,498
2027 - 2031	845,039	45,640	890,679	27,491	-	27,491
2032 - 2036	487,013	12,256	499,269	19,996	-	19,996
2037 - 2038	-	-	-	6,000	-	6,000
Total	<u>\$2,122,785</u>	<u>\$ 141,346</u>	<u>\$2,264,131</u>	<u>\$ 115,658</u>	<u>\$ -</u>	<u>\$ 115,658</u>

C. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2021, the City's total debt margin was \$10,080,390 and the unvoted debt margin was \$5,222,588.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - RISK MANAGEMENT

A. Property and Casualty Insurance

The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The City is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2021:

	<u>2021</u>
Cash and investments	\$ 41,996,850
Actuarial liabilities	\$ 14,974,099

Property and casualty settlements did not exceed insurance coverage for the past three years. There have been no significant reductions in coverage from the prior year.

B. Employee Health Insurance

The City has elected to provide employee medical, prescription, dental and vision benefits through a self-insurance program. The City maintains a self-insurance internal service fund to account for and finance its uninsured risk loss in this program. The Jefferson Health Plan is the consortium that administers the provision of medical, dental, vision, hospitalization, and prescription drug benefits for all claims incurred during membership in the Jefferson Health Plan. A third-party administrator chosen by the City then provides administrative services to the Jefferson Health Plan in connection with the processing and payment of claims. The City of Willard is responsible for the first \$50,000 in claims, the Jefferson Health Plan is responsible for claims from \$50,000 to \$1,500,000 and claims over \$1,500,000 are covered with stop-loss coverage with a carrier chosen by the consortium. Fixed premiums for the calendar year are determined by the Jefferson Health Plan and paid to the third-party administrator.

The claims liability of \$69,518 reported in the internal service fund at December 31, 2021 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - RISK MANAGEMENT - (Continued)

Changes in claims activity for the two fiscal years is as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2021	\$ 124,166	\$ 724,668	\$ (779,316)	\$ 69,518
2020	107,309	1,545,951	(1,529,094)	124,166

In 2021, traditional plan family coverage had a monthly cost of \$3,106.80 and traditional plan single coverage had a monthly cost of \$1,037.08. The City offers to the police department employees a traditional plan with the same benefits as the 2019 benefits. The cost of this traditional family plan was \$3,327.62 and the single plan was \$1,110.71. The City continues to offer the H.S.A. option with a monthly cost for families of \$2,472.70 and a single policy price of \$825.66. The City continues to pay a portion of the H.S.A deductible. Employees are responsible for 15% of the contributions.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance converge in any of the past three years.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Asset and Net OPEB Liability/Asset

Pensions and OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability/asset and the net OPEB liability/asset represent the City’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability/asset is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension/OPEB liability/asset on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the pension disclosures. See Note 15 for the OPEB disclosures.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Report referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Final Average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2021 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits **	0.0 %
Total Employer	14.0 %
Employee	10.0 %

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$331,330 for 2021. Of this amount, \$34,711 is reported as due to other governments.

Plan Description - Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.00% of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.00% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2021 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2021 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50 %</u>	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$299,090 for 2021. Of this amount, \$35,587 is reported as due to other governments.

Net Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The net pension liability and net pension asset for OPERS was measured as of December 31, 2020, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.01491200%	0.02238000%	0.01210100%	0.05519880%	
Proportion of the net pension liability/asset current measurement date	<u>0.01430300%</u>	<u>0.02348100%</u>	<u>0.01195400%</u>	<u>0.05471740%</u>	
Change in proportionate share	<u>-0.00060900%</u>	<u>0.00110100%</u>	<u>-0.00014700%</u>	<u>-0.00048140%</u>	
Proportionate share of the net pension liability	\$ 2,117,963	\$ -	\$ -	\$ 3,730,134	\$ 5,848,097
Proportionate share of the net pension asset	-	67,780	2,179	-	69,959
Pension expense	(119,529)	1,598	(1,563)	337,524	218,030

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	\$ -	\$ -	\$ 1,500	\$ 155,936	\$ 157,436
Changes of assumptions	-	4,233	59	62,556	66,848
Changes in employer's proportionate percentage/difference between employer contributions	6,228	-	-	169,887	176,115
Contributions subsequent to the measurement date	309,068	15,369	6,893	299,090	630,420
Total deferred outflows of resources	<u>\$ 315,296</u>	<u>\$ 19,602</u>	<u>\$ 8,452</u>	<u>\$ 687,469</u>	<u>\$ 1,030,819</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred inflows of resources					
Differences between expected and actual experience	\$ 88,595	\$ 12,787	\$ -	\$ 145,316	\$ 246,698
Net difference between projected and actual earnings on pension plan investments	825,524	10,079	238	180,936	1,016,777
Changes in employer's proportionate percentage/ difference between employer contributions	159,759	-	-	239,845	399,604
Total deferred inflows of resources	<u>\$ 1,073,878</u>	<u>\$ 22,866</u>	<u>\$ 238</u>	<u>\$ 566,097</u>	<u>\$ 1,663,079</u>

\$630,420 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Year Ending December 31:					
2022	\$ (469,902)	\$ (4,854)	\$ 167	\$ 14,791	\$ (459,798)
2023	(148,649)	(3,083)	203	40,630	(110,899)
2024	(336,510)	(5,407)	147	(200,459)	(542,229)
2025	(112,589)	(2,514)	182	(35,241)	(150,162)
2026	-	(1,079)	184	2,561	1,666
Thereafter	-	(1,696)	438	-	(1,258)
Total	<u>\$ (1,067,650)</u>	<u>\$ (18,633)</u>	<u>\$ 1,321</u>	<u>\$ (177,718)</u>	<u>\$ (1,262,680)</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020, are presented below.

Wage inflation	3.25%
Future salary increases, including inflation	3.25% to 10.75% including wage inflation
COLA or ad hoc COLA	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 0.50%, simple through 2021, then 2.15% simple
Investment rate of return	
Current measurement date	7.20%
Prior measurement date	7.20%
Actuarial cost method	Individual entry age

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.40% simple through 2020 then 2.15% simple to 0.50% simple through 2021 then 2.15% simple.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 11.70% for 2020.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	25.00 %	1.32 %
Domestic equities	21.00	5.64
Real estate	10.00	5.39
Private equity	12.00	10.42
International equities	23.00	7.36
Other investments	9.00	4.75
Total	<u>100.00 %</u>	<u>5.43 %</u>

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2020 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate - The following table presents the proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.20%, as well as what the proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 4,040,025	\$ 2,117,963	\$ 519,771
Combined Plan	(47,167)	(67,780)	(83,123)
Member-Directed Plan	(1,913)	(2,179)	(2,391)

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2021, are presented below.

Valuation date	1/1/20 with actuarial liabilities rolled forward to 12/31/20
Actuarial cost method	Entry age normal (level percent of payroll)
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25% per annum, compounded annually, consisting of inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	2.20% per year simple

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five-year period ended December 31, 2016.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy and Guidelines. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2020 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation		
Linked Bonds *	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	<u>125.00 %</u>	

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%), or one percentage point higher (9.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 5,192,825	\$ 3,730,134	\$ 2,506,010

NOTE 15 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 14 for a description of the net OPEB liability/asset.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$2,757 for 2021. Of this amount, \$289 is reported as due to other governments.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contractually required contribution to OP&F was \$7,237 for 2021. Of this amount, \$861 is reported as due to other governments.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportion of the net OPEB liability prior measurement date	0.01502300%	0.05519880%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.01447900%</u>	<u>0.05471740%</u>	
Change in proportionate share	<u>-0.00054400%</u>	<u>-0.00048140%</u>	
Proportionate share of the net OPEB liability	\$ -	\$ 579,740	\$ 579,740
Proportionate share of the net OPEB asset	257,955	-	257,955
OPEB expense	(1,636,521)	38,678	(1,597,843)

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**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Changes of assumptions	\$ 126,813	\$ 320,276	\$ 447,089
Changes in employer's proportionate percentage/ difference between employer contributions	5,563	126,361	131,924
Contributions subsequent to the measurement date	2,757	7,237	9,994
Total deferred outflows of resources	<u>\$ 135,133</u>	<u>\$ 453,874</u>	<u>\$ 589,007</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 232,804	\$ 95,625	\$ 328,429
Net difference between projected and actual earnings on pension plan investments	137,388	21,543	158,931
Changes of assumptions	417,964	92,421	510,385
Changes in employer's proportionate percentage/ difference between employer contributions	86,110	179,109	265,219
Total deferred inflows of resources	<u>\$ 874,266</u>	<u>\$ 388,698</u>	<u>\$ 1,262,964</u>

\$9,994 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2022.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2022	\$ (407,864)	\$ 8,101	\$ (399,763)
2023	(258,134)	13,202	(244,932)
2024	(59,702)	5,160	(54,542)
2025	(16,190)	15,064	(1,126)
2026	-	9,139	9,139
Thereafter	-	7,273	7,273
Total	\$ (741,890)	\$ 57,939	\$ (683,951)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020.

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	6.00%
Prior Measurement date	3.16%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	2.00%
Prior Measurement date	2.75%
Health Care Cost Trend Rate	
Current measurement date	8.50% initial, 3.50% ultimate in 2035
Prior Measurement date	10.50%, initial 3.50%, ultimate in 2030
Actuarial Cost Method	Individual Entry Age Normal

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 10.50% for 2020.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	100.00 %	4.43 %

Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20- year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

Change in Benefit Terms - On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation which are reported by the City at December 31, 2021. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate - The following table presents the proportionate share of the net OPEB asset calculated using the single discount rate of 6.00%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.00%) or one-percentage-point higher (7.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB asset	\$ 64,142	\$ 257,955	\$ 417,285

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate

- Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	\$ 264,242	\$ 257,955	\$ 250,921

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	2.96%
Prior measurement date	3.56%
Cost of Living Adjustments	2.20% simple per year

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five-year period ended December 31, 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2020, are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation		
Linked Bonds *	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	125.00 %	

Note: assumptions are geometric.

* levered 2.5x

** numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - For 2020, the total OPEB liability was calculated using the discount rate of 2.96%. For 2019, the total OPEB liability was calculated using the discount rate of 3.56%. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12% at December 31, 2020 and 2.75% at December 31, 2019, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 2.96% for 2020 and 3.56% for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.96%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96%), or one percentage point higher (3.96%) than the current rate.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 722,902	\$ 579,740	\$ 461,647

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	General fund	American Rescue Plan Act
Budget basis	\$ (641,568)	\$ 315,091
Net adjustment for revenue accruals	(144,244)	(315,091)
Net adjustment for expenditure accruals	16,914	-
Net adjustment for other financing sources	44	-
Funds budgeted elsewhere	477,337	-
GAAP basis	\$ (291,517)	\$ -

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the income tax fund, the electric system sale fund, the insurance fund, and the unclaimed monies fund.

NOTE 17 - TAX ABATEMENTS

As of December 31, 2021, the City provides tax abatements through an Enterprise Zone (Ezone) program. This program relates to the abatement of property taxes.

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill.

The City has two Ezone agreements in effect at December 31, 2021. The total value of the City's share of taxes abated for 2021 was \$13,929.

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2021.

B. Litigation

At December 31, 2021, the City was not involved in any lawsuits that would have a material adverse effect on the City's financial position.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 19 - RESTRICTED ASSETS

Restricted assets are specifically restricted for repayment to water customers who were required to make deposits for the guarantee of payment of water and sewer bills. Restricted cash and investments designated by the City or provided by operations are equally offset by a refundable deposits payable. Restricted assets at December 31, 2021 are comprised of the following:

	<u>Cash and Investments</u>
Water fund:	
Customer deposits	<u>\$ 86,945</u>

NOTE 20 - ASSET RETIREMENT OBLIGATIONS

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage treatment system to the Ohio Environmental Protection Agency (Ohio EPA) for approval. Through this permitting process, the City would be responsible for addressing any public safety issues associated with their sewage treatment facilities and the permit would specify the procedures required to dispose of all or part of the sewage treatment plant. Due to the lack of specific legal requirements for retiring the sewage treatment plant, the City has determined that the asset retirement obligation cannot be reasonably estimated.

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**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 21 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Income Tax Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ 9,267	\$ -	\$ 30,745	\$ 40,012
Prepays	203,381	-	4,635	208,016
Electric system sale	1,575,000	-	-	1,575,000
Unclaimed monies	8,014	-	-	8,014
Perpetual care	-	-	25,652	25,652
Total nonspendable	<u>1,795,662</u>	<u>-</u>	<u>61,032</u>	<u>1,856,694</u>
Restricted:				
Capital improvements	-	-	31,411	31,411
Transportation projects	-	-	952,621	952,621
Police and fire purposes	-	-	287,553	287,553
Other purposes	-	-	353,088	353,088
Total restricted	<u>-</u>	<u>-</u>	<u>1,624,673</u>	<u>1,624,673</u>
Committed:				
Capital improvements	-	1,115,631	-	1,115,631
Recreation programs	-	-	165,666	165,666
Transportation projects	-	-	18,942	18,942
Other purposes	-	-	82,359	82,359
Total committed	<u>-</u>	<u>1,115,631</u>	<u>266,967</u>	<u>1,382,598</u>
Assigned:				
Debt service	-	-	109,995	109,995
Capital improvements	-	-	4	4
Subsequent year appropriations	836,301	-	-	836,301
Other purposes	3,841	-	-	3,841
Total assigned	<u>840,142</u>	<u>-</u>	<u>109,999</u>	<u>950,141</u>
Unassigned (deficit)	<u>1,152,620</u>	<u>-</u>	<u>(41,923)</u>	<u>1,110,697</u>
Total fund balances	<u>\$ 3,788,424</u>	<u>\$ 1,115,631</u>	<u>\$ 2,020,748</u>	<u>\$ 6,924,803</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 22 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST EIGHT YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.014303%	0.014912%	0.016105%	0.016095%
City's proportionate share of the net pension liability	\$ 2,117,963	\$ 2,947,458	\$ 4,410,833	\$ 2,524,993
City's covered payroll	\$ 1,895,579	\$ 2,040,364	\$ 2,230,507	\$ 2,111,692
City's proportionate share of the net pension liability as a percentage of its covered payroll	111.73%	144.46%	197.75%	119.57%
Plan fiduciary net position as a percentage of the total pension liability	86.88%	82.17%	74.70%	84.66%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.023481%	0.022380%	0.022178%	0.023018%
City's proportionate share of the net pension asset	\$ 67,780	\$ 46,668	\$ 24,800	\$ 31,336
City's covered payroll	\$ 103,479	\$ 99,629	\$ 94,850	\$ 94,262
City's proportionate share of the net pension asset as a percentage of its covered payroll	65.50%	46.84%	26.15%	33.24%
Plan fiduciary net position as a percentage of the total pension asset	157.67%	145.28%	126.64%	137.28%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.011954%	0.012101%	0.012121%	0.010278%
City's proportionate share of the net pension asset	\$ 2,179	\$ 457	\$ 276	\$ 359
City's covered payroll	\$ 71,790	\$ 71,930	\$ 69,290	\$ 56,340
City's proportionate share of the net pension asset as a percentage of its covered payroll	3.04%	0.64%	0.40%	0.64%
Plan fiduciary net position as a percentage of the total pension asset	188.21%	118.84%	113.42%	124.45%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015	2014
	0.015811%	0.015702%	0.016149%	0.016149%
\$	3,590,409	\$ 2,719,784	\$ 1,947,749	\$ 1,903,756
\$	2,061,800	\$ 1,984,567	\$ 1,988,125	\$ 2,039,885
	174.14%	137.05%	97.97%	93.33%
	77.25%	81.08%	86.45%	86.36%
	0.019417%	0.024720%	0.028183%	0.028183%
\$	10,807	\$ 12,029	\$ 10,851	\$ 2,957
\$	75,575	\$ 98,275	\$ 103,017	\$ 96,362
	14.30%	12.24%	10.53%	3.07%
	116.55%	116.90%	114.83%	104.56%
	0.009051%	0.007258%	n/a	n/a
\$	38	\$ 28	n/a	n/a
\$	37,200	\$ 40,425	n/a	n/a
	0.10%	0.07%	n/a	n/a
	103.40%	103.91%	n/a	n/a

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST EIGHT YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net pension liability	0.05471740%	0.05519880%	0.05718000%	0.05293800%
City's proportionate share of the net pension liability	\$ 3,730,134	\$ 3,718,486	\$ 4,667,399	\$ 3,249,013
City's covered payroll	\$ 1,314,708	\$ 1,357,672	\$ 1,299,698	\$ 1,570,297
City's proportionate share of the net pension liability as a percentage of its covered payroll	283.72%	273.89%	359.11%	206.90%
Plan fiduciary net position as a percentage of the total pension liability	70.65%	69.89%	63.07%	70.91%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.06003100%	0.05395600%	0.05308930%	0.05308930%
\$ 3,802,265	\$ 3,471,018	\$ 2,750,247	\$ 2,585,615
\$ 1,455,742	\$ 1,509,985	\$ 1,444,386	\$ 1,467,735
261.19%	229.87%	190.41%	176.16%
68.36%	66.77%	72.20%	73.00%

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 309,068	\$ 265,381	\$ 285,651	\$ 312,271
Contributions in relation to the contractually required contribution	<u>(309,068)</u>	<u>(265,381)</u>	<u>(285,651)</u>	<u>(312,271)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,207,629	\$ 1,895,579	\$ 2,040,364	\$ 2,230,507
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 15,369	\$ 14,487	\$ 13,948	\$ 13,279
Contributions in relation to the contractually required contribution	<u>(15,369)</u>	<u>(14,487)</u>	<u>(13,948)</u>	<u>(13,279)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 109,779	\$ 103,479	\$ 99,629	\$ 94,850
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 6,893	\$ 7,179	\$ 7,193	\$ 6,929
Contributions in relation to the contractually required contribution	<u>(6,893)</u>	<u>(7,179)</u>	<u>(7,193)</u>	<u>(6,929)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 68,930	\$ 71,790	\$ 71,930	\$ 69,290
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	10.00%

Note: Information prior to 2015 for the for the Member Directed Plan was unavailable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 274,520	\$ 247,416	\$ 238,148	\$ 238,575	\$ 265,185	\$ 216,003
<u>(274,520)</u>	<u>(247,416)</u>	<u>(238,148)</u>	<u>(238,575)</u>	<u>(265,185)</u>	<u>(216,003)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,111,692	\$ 2,061,800	\$ 1,984,567	\$ 1,988,125	\$ 2,039,885	\$ 2,160,030
13.00%	12.00%	12.00%	12.00%	13.00%	10.00%
\$ 12,254	\$ 9,069	\$ 11,793	\$ 12,362	\$ 12,527	\$ 7,375
<u>(12,254)</u>	<u>(9,069)</u>	<u>(11,793)</u>	<u>(12,362)</u>	<u>(12,527)</u>	<u>(7,375)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 94,262	\$ 75,575	\$ 98,275	\$ 103,017	\$ 96,362	\$ 92,767
13.00%	12.00%	12.00%	12.00%	13.00%	7.95%
\$ 5,634	\$ 4,464	\$ 4,851			
<u>(5,634)</u>	<u>(4,464)</u>	<u>(4,851)</u>			
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
\$ 56,340	\$ 37,200	\$ 40,425			
10.00%	12.00%	12.00%			

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Police:</i>				
Contractually required contribution	\$ 173,185	\$ 159,196	\$ 173,507	\$ 169,341
Contributions in relation to the contractually required contribution	<u>(173,185)</u>	<u>(159,196)</u>	<u>(173,507)</u>	<u>(169,341)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 911,500	\$ 837,874	\$ 913,195	\$ 891,268
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
<i>Fire:</i>				
Contractually required contribution	\$ 125,905	\$ 112,056	\$ 104,452	\$ 95,981
Contributions in relation to the contractually required contribution	<u>(125,905)</u>	<u>(112,056)</u>	<u>(104,452)</u>	<u>(95,981)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 535,766	\$ 476,834	\$ 444,477	\$ 408,430
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 223,633	\$ 196,673	\$ 222,441	\$ 212,018	\$ 189,672	\$ 136,777
<u>(223,633)</u>	<u>(196,673)</u>	<u>(222,441)</u>	<u>(212,018)</u>	<u>(189,672)</u>	<u>(136,777)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,177,016	\$ 1,035,121	\$ 1,170,742	\$ 1,115,884	\$ 1,194,157	\$ 1,072,761
19.00%	19.00%	19.00%	19.00%	15.88%	12.75%
\$ 92,421	\$ 98,846	\$ 79,722	\$ 77,198	\$ 55,704	\$ 59,795
<u>(92,421)</u>	<u>(98,846)</u>	<u>(79,722)</u>	<u>(77,198)</u>	<u>(55,704)</u>	<u>(59,795)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 393,281	\$ 420,621	\$ 339,243	\$ 328,502	\$ 273,282	\$ 346,638
23.50%	23.50%	23.50%	23.50%	20.38%	17.25%

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/NET OPEB ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST FIVE YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability/asset	0.014479%	0.015023%	0.016128%	0.016080%	0.015621%
City's proportionate share of the net OPEB liability/(asset)	\$ (257,955)	\$ 2,075,067	\$ 2,102,710	\$ 1,746,170	\$ 1,577,798
City's covered payroll	\$ 2,070,848	\$ 2,211,923	\$ 2,394,647	\$ 2,262,294	\$ 2,174,575
City's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	12.46%	93.81%	87.81%	77.19%	72.56%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	115.57%	47.80%	46.33%	54.14%	54.05%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST FIVE YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.05471740%	0.05519880%	0.05718000%	0.05293800%	0.06003100%
City's proportionate share of the net OPEB liability	\$ 579,740	\$ 545,239	\$ 520,712	\$ 2,999,364	\$ 2,849,537
City's covered payroll	\$ 1,314,708	\$ 1,357,672	\$ 1,299,698	\$ 1,570,297	\$ 1,455,742
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	44.10%	40.16%	40.06%	191.01%	195.74%
Plan fiduciary net position as a percentage of the total OPEB liability	45.42%	47.08%	46.57%	14.13%	15.96%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	2021	2020	2019	2018
Contractually required contribution	\$ 2,757	\$ 2,872	\$ 2,877	\$ 2,771
Contributions in relation to the contractually required contribution	(2,757)	(2,872)	(2,877)	(2,771)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 2,386,338	\$ 2,070,848	\$ 2,211,923	\$ 2,394,647
Contributions as a percentage of covered payroll	0.12%	0.14%	0.13%	0.12%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 24,313	\$ 44,862	\$ 41,657	\$ 41,564	\$ 21,353	\$ 92,014
<u>(24,313)</u>	<u>(44,862)</u>	<u>(41,657)</u>	<u>(41,564)</u>	<u>(21,353)</u>	<u>(92,014)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,262,294	\$ 2,174,575	\$ 2,123,267	\$ 2,091,142	\$ 2,136,247	\$ 2,252,797
1.07%	2.06%	1.96%	1.99%	1.00%	4.08%

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	2021	2020	2019	2018
<i>Police:</i>				
Contractually required contribution	\$ 4,558	\$ 4,189	\$ 4,566	\$ 4,456
Contributions in relation to the contractually required contribution	(4,558)	(4,189)	(4,566)	(4,456)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 911,500	\$ 837,874	\$ 913,195	\$ 891,268
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%
 <i>Fire:</i>				
Contractually required contribution	\$ 2,679	\$ 2,384	\$ 2,222	\$ 2,042
Contributions in relation to the contractually required contribution	(2,679)	(2,384)	(2,222)	(2,042)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 535,766	\$ 476,834	\$ 444,477	\$ 408,430
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 5,885	\$ 5,176	\$ 6,012	\$ 5,680	\$ 42,776	\$ 72,412
<u>(5,885)</u>	<u>(5,176)</u>	<u>(6,012)</u>	<u>(5,680)</u>	<u>(42,776)</u>	<u>(72,412)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,177,016	\$ 1,035,121	\$ 1,170,742	\$ 1,115,884	\$ 1,194,157	\$ 1,072,761
0.50%	0.50%	0.50%	0.50%	3.62%	6.75%
\$ 1,966	\$ 2,106	\$ 1,696	\$ 1,564	\$ 9,389	\$ 23,398
<u>(1,966)</u>	<u>(2,106)</u>	<u>(1,696)</u>	<u>(1,564)</u>	<u>(9,389)</u>	<u>(23,398)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 393,281	\$ 420,621	\$ 339,243	\$ 328,502	\$ 273,282	\$ 346,638
0.50%	0.50%	0.50%	0.50%	3.62%	6.75%

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2014-2021.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016.
- For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.
- There were no changes in assumptions for 2018.
- For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2014-2021.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017.
- For 2018, the following were the most significant changes of assumptions that affected the total pension since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple.
- There were no changes in assumptions for 2019.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.

(Continued)

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2017-2020.
- For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.
- For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25% ultimate in 2029.
- For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.96% up to 3.16%, (b) the municipal bond rate was decreased from 3.71% up to 2.75% and (c) the health care cost trend rate was increased from 10.50%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030.
- For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.16% up to 6.00%, (b) the municipal bond rate was decreased from 2.75% up to 2.00% and (c) the health care cost trend rate was decreased from 10.00%, initial/3.50%, ultimate in 2030 down to 8.50%, initial/3.50% ultimate in 2035.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2017-2018.
- For 2019, OP&F changed its retiree health care model from a self-insured health care plan to a stipend-based health care model.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%.
- For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.24% up to 4.66%. For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 4.66% up to 3.56%.
- For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 4.66% up to 3.56%.
- For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.56% down to 2.96%.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

City of Willard
Huron County
631 South Myrtle Avenue
P.O. Box 367
Willard, Ohio 44890

To the Members of the City Council and Mayor:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willard, Huron County, Ohio, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Willard's basic financial statements, and have issued our report thereon dated July 18, 2022, wherein we noted as described in Note 22 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Willard's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Willard's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Willard's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of Willard's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Willard's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Willard

Huron County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Willard's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Willard's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a period at the end.

Julian & Grube, Inc.

July 18, 2022

OHIO AUDITOR OF STATE KEITH FABER



CITY OF WILLARD

HURON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 9/6/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov